General Mills

ANNUAL REPORT

MAY 26, 1975 / MAY 30, 1976

Some of the products by which we are known...

PEOPLE + CAPITAL + PRODUCTS = RESULTS

No single element makes a successful company or a successful year. Both result from an ongoing interrelationship of people, products and capital investment — all orchestrated by good leadership. With the theme *People + Capital + Products = Results,* this report focuses on the essential elements that make General Mills a dynamic and growing company. The spotlight within these pages falls particularly on the people in key positions who provide the guiding force to those elements. They — with loyal employees at every level, in every job, with the fine family of General Mills products and the intelligent use of available capital — are building General Mills and shaping its future.

General Mills

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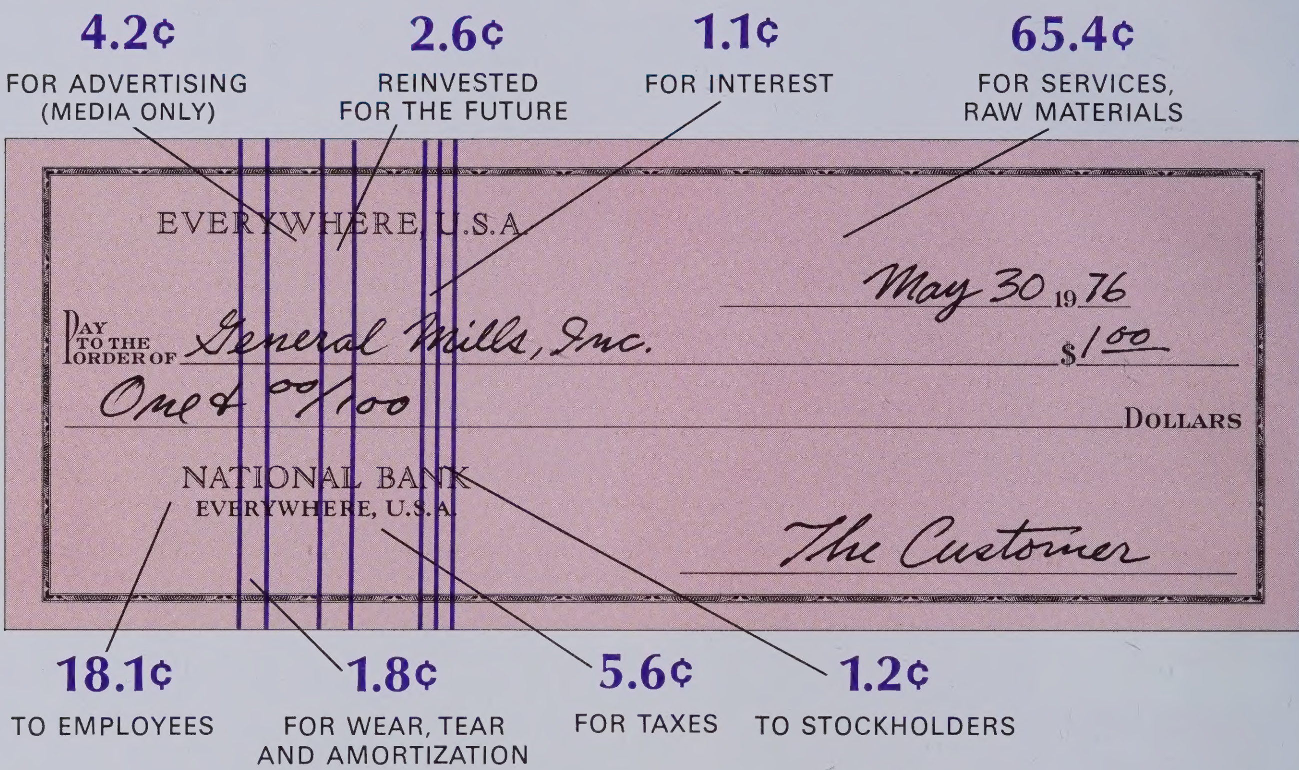
NOTICE TO STOCKHOLDERS: The annual meeting of the stockholders of General Mills, Inc., will be held at 2:00 p.m., Central Daylight Time, September 27, 1976, at Golden Valley (Minneapolis), Minn. The **Notice of Annual Meeting of Stockholders and Proxy Statement** is being mailed to reach stockholders on or about August 30, 1976.

How the Sales Dollar was Divided



The Year in Brief

(in thousands)

	Fiscal Year Ended May 30, 1976 (53 Weeks)	Fiscal Year Ended May 25, 1975 (52 Weeks)	Increase
Sales	$2,645,000	$2,308,900	14.6%
Net earnings	100,538	76,213	31.9%
Earnings per dollar of sales	3.8¢	3.3¢	
Earnings per common share and common share equivalent	$ 2.04	$ 1.59*	28.3%
Common stock dividends	32,391	27,806	
Net earnings after dividends	68,147	48,407	
Wages, salaries and employee benefits	479,438	402,725	19.1%
Taxes—income, payroll, property, etc.	148,750	112,530	32.2%
—per cent of earnings before all taxes	59.7%	60.0%	

*Restated for two-for-one stock split in October, 1975.

Data should be read in conjunction with the financial statements on pages 23-35.

To Our Stockholders and Employees:

General Mills

August 20, 1976

Fiscal 1976 was a year of exceptional progress for General Mills. The results on the opposite page show a vitality that makes it possible to report a 10th straight year of growth in sales, a 14th successive year of improvement in earnings before extraordinary items and a 12th consecutive year of increase in dividends per share. The company made significant investments for future growth, strengthened an already sound financial position, took steps to improve use of company assets and made changes in leadership designed to assure continuing strength.

The company's performance reflects the outstanding efforts of General Mills' 51,778 employees and the strength of our diversity, our past investments and an increasingly favorable economic environment.

Operational highlights include strong sales gains over fiscal 1975 in each of the company's major business areas: 11.0 per cent for foods, 24.8 per cent for consumer non-foods and 13.4 per cent for specialty chemicals. Approximately three-fourths of this year's gain resulted from increases in physical volume, including virtually all of the 15.7 per cent sales gain in the second half. In contrast, the previous year's 15.4 per cent gain in sales came essentially as the result of inflation in selling prices. Moderating raw material costs enabled the company to reduce selling prices in a significant number of areas during the year. Inflation, for example, added only 1.6 per cent to average selling prices for domestic food products, with average prices actually 1.9 per cent lower than in the fourth quarter of fiscal 1975.

Operating profit gains over the prior year were reported by each major business area: 19.2 per cent for foods, 46.7 per cent for consumer non-foods and 5.8 per cent for specialty chemicals. Operating profits increased 25.3 per cent to $254,300,000.

General Mills' food businesses had an excellent year with record volumes in all major product categories. Operating profits for breakfast and snack items grew 21.6 per cent and accounted for one-third of the corporate gain. Fast-growing restaurant activities, with Red Lobster Inns specialty seafood restaurants expanding from 128 to 174 company-operated units during the year, had an earnings gain of 56.3 per cent. Record profitability for Gorton's seafoods, which operated at a loss the previous year, Betty Crocker desserts and baking mixes helped bring about modest gains for the product groups in which their results are reported. Impacting on food profits is a $7,000,000 pretax charge associated with conversion of the company's Cedar Rapids plant from primarily a commercial protein facility to a package foods facility.

Consumer non-foods' substantial growth in operating profits came partially from a fifth successive year of excellent gains by worldwide craft, game and toy operations, which grew 35.9 per cent, and partially from a 65.0 per cent surge in the operating profit total for fashions, specialty retailing and furniture from the prior year's depressed level. Specialty retailing, formerly called direct marketing, saw earnings rebound strongly and above expectations as did fashions, which reported increased profitability despite a $4,020,000 pretax loss associated with the sale of the Silna Division which made doubleknit fabrics.

Specialty chemicals also finished the year strongly. After a soft first half, in line with trends in industries served, specialty chemicals experienced a

James P. McFarland, Chairman of Board (in foreground); James A. Summer, Vice Chairman (behind, left); E. Robert Kinney, President (right).

strong business recovery beginning in February, 1976, which culminated in all-time high quarterly earnings in the final quarter.

Sales and earnings trends during fiscal 1976 reflected an increased level of spending for new product development and for support of existing products and services. Advertising media support increased to $111,400,000; promotional expenditures were also substantially higher than a year earlier. Advertising media costs were 4.2 per cent of sales in fiscal 1976 as compared with 3.1 per cent in the previous year and a 4.4 per cent five-year average for fiscal years 1970 through 1974. This increase in support proved effective in gaining increased volume and improving share of market for most of the company's package food lines.

Continued success in improving working capital usage and lessening inflationary pressures combined to reduce borrowing requirements and strengthen the company's financial position. Total debt at the end of fiscal 1976 was $53,331,000 under that of the fiscal 1975 year-end total, and cash and marketable securities increased by $71,861,000. The improved financial position and lower short-term interest rates, together with an increase in interest income compared with the previous year, resulted in an $8,968,000 decline in net interest expense. Gross interest expense totaled $29,400,000 as compared with $36,219,000 in fiscal 1975, a decline of 18.8 per cent.

The company's common stock was split two-for-one following shareholder approval at last year's annual meeting. A two-cent increase in the quarterly dividend was declared for the payment of November 1, 1975, and again for the payment of August 1, 1976, assuring a 13th successive year of increase in dividends per share.

We remain optimistic about General Mills' future. Fiscal 1977 appears to be one of continued economic recovery worldwide, and virtually all of our operations are reporting favorable current trends and prospects.

In line with emphasis on internal growth of existing businesses, a one-third increase in gross capital expenditures to the $125,000,000 range is scheduled to continue expansion of General Mills' restaurant operations by 40 more units, to meet needs for additional food plant capacity, particularly for breakfast cereals, and to fund other projects which are essential to our growth. The entire amount of expenditures for fixed assets will be financed internally. Small acquisitions in existing areas are likely as well.

The end of fiscal 1976 marked the announcement of a new management team. President E. Robert Kinney became Chief Executive Officer on June 1, 1976, succeeding James P. McFarland, who will continue to serve as Chairman of the Board until he reaches the mandatory retirement age of 65 on February 1, 1977. H. Brewster Atwater, Jr., Executive Vice President, was elected Chief Operating Officer. Other top management changes and a summary of changes on your Board of Directors, which includes the election of three new directors and the retirement of five who have served your company with dedication and distinction, are described in the *Business Review* of this report.

The corporate strategy of seeking consistent growth through balanced diversification with emphasis on consumer products and services remains intact. We continue to pay close attention to trends and changes in the environment which reflect consumer needs and life styles and ultimately affect the company's operations. General Mills' corporate long-term objective of increasing earnings per share at a compound rate of 10 per cent or better also remains intact. Management is confident that fiscal 1977 will bring growth consistent with our goal and our long-term record of progress.

Chairman of the Board

Vice Chairman

President

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Business Review

General Mills is experiencing a period of substantial growth and development — resulting from the successful interaction of those diverse, but interdependent, factors that make up the company. Conscientious employees, good leadership, excellent lines of products and services and the progressive and intelligent use of capital have contributed greatly to the progress of the past five years.

A comparison of fiscal 1976 results with those of fiscal 1971 as reported shows that sales have climbed 136 per cent to $2,644,952,000 while earnings before extraordinary items have increased 129 per cent to $100,538,000. Earnings per share have more than doubled, increasing from 99 cents to $2.04, and the number of employees has risen from 32,556 to 51,778.

General Mills has sought, during the past decade, balanced diversification with emphasis on consumer products and services in order to achieve stability and consistent growth under varying economic conditions, building an "all-weather growth company." Today, General Mills' businesses are in three major areas: foods, consumer non-foods and specialty chemicals.

In fiscal 1976, foods continued to be the company's largest operation, accounting for 68.6 per cent of total sales and 69.1 per cent of operating profits. The company's diversified lines are balanced among different eating occasions. Emphasis on breakfast includes cereal and non-cereal products. Major entries in the main meal categories are potatoes, casseroles, "add-meat" main dishes, desserts, seafood products, frozen pizza and protein. The company is also active in snack foods, primarily in the United States and Europe, with traditional salty snacks, sweet snacks and meat snacks. The company has important representation in the staple food area with various flour and baking mixes, for the food service trade as well as in the home. Finally, the company participates in the market for meals served away from home, primarily through Red Lobster Inns specialty seafood restaurants which have a reputation for providing excellent customer value.

Consumer non-foods accounted for 27.5 per cent of General Mills' sales and 28.0 per cent of operating profits. Consumer non-foods are intended to capitalize on long-term growth in disposable income, increased leisure time and more casual life styles. Companies and brands currently include such market leaders as Kenner toys, Parker Brothers games, Lionel trains, Monet jewelry, David Crystal, Izod, Kimberly Knits and other fashion apparel, Foot-Joy golf shoes, Eddie Bauer outdoor recreational clothing and equipment, LeeWards hobbycrafts, The Talbots specialty women's wear and fine furniture lines including Kittinger and Pennsylvania House.

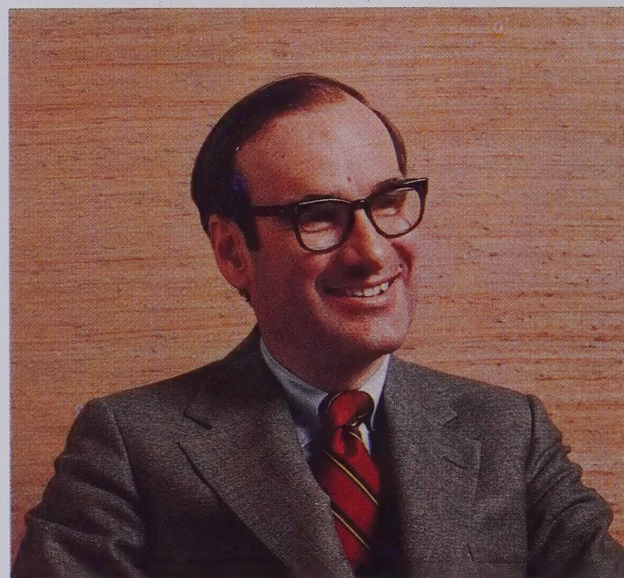
General Mills' third area of diversification is specialty chemicals, accounting for 3.9 per cent of sales and 2.9 per cent of operating profits. Specialty chemicals have been manufactured by General Mills for more than 25 years and represent the company's primary activity in industrial markets. Products include guar gum and its derivatives used in paper making, explosives, fire fighting and foods; polyamide resins used in high-performance adhesives; and Vitamin E. General Mills has also become the leading supplier of chemicals to recover metals by hydrometallurgy, including the patented LIX reagents used in various mining applications.

Members of the new Management Policy Committee to provide leadership and direction on corporate policy matters: (left to right) Donald F. Swanson, Senior Executive Vice President, Consumer Non-Foods; James A. Summer, Vice Chairman, Chief Financial and Development Officer; E. Robert Kinney, President and Chief Executive Officer; Paul L. Parker, Executive Vice President and Chief Administrative and Government Relations Officer; H. Brewster Atwater, Jr., Executive Vice President, Chief Operating Officer.

International operations contributed 16.4 per cent of sales and 14.9 per cent of earnings in fiscal 1976 as shown on page 29. International sales increased 12.3 per cent to $433,823,000 while earnings of $14,991,000 were 11.4 per cent ahead of the previous year. These figures are included in the results by major product group described elsewhere in this report.

Fiscal 1976 provides continuing evidence of the rapid growth General Mills has achieved in recent years, primarily through strong internal growth. Of investments aggregating more than $600,000,000 in the past five years to build the business, about two-thirds has been for fixed assets and about one-sixth each for research and development and for acquisitions. Of General Mills' sales growth of $1,524,900,000 since fiscal 1971, the company estimates that about half has been due to price increases arising from higher costs during this highly inflationary period; about 38 per cent has come from existing and new product volume growth and expansion of restaurants and specialty retail stores; sales of acquisitions acquired in the past five years account for the remaining 12 per cent of the increase.

Donald F. Swanson, Senior Executive Vice President, Consumer Non-Foods (right), and (from left at table) James H. Ruben, Vice President, Manager, Specialty Retailing Group; Paul J. Curran, Vice President, International Operations, Craft, Game & Toy Group; Randolph P. Barton, Vice President, President, Parker Brothers; Ted C. Betker, Vice President, President, Fundimensions; David E. Kelby, Manager, Travel Group; Bernard Loomis, Vice President, President, Kenner Products; F. William Graham, Group Vice President, Fashion Group.



H. Brewster Atwater, Jr., Executive Vice President, Chief Operating Officer.

SALES As Reported (millions)	1976	1971	Compound Annual Growth Rate	% of Total Growth
Foods	$1,813.7	$ 843.8	16.5%	63.6%
Consumer Non-Foods	727.4	237.8	25.1%	32.1%
Specialty Chemicals	103.9	38.5	22.0%	4.3%
Totals	$2,645.0	$1,120.1	18.7%	100.0%

Consumer non-foods' 25.1 per cent compound annual growth rate reflects the fact that most of General Mills' acquisitions have occurred in that category.

Furthermore, as the following table reflects, strong, balanced progress in operating profits has come from established areas and newer consumer non-foods areas as well.

OPERATING PROFITS As Reported (millions)	1976	1971	Compound Annual Growth Rate	% of Total Growth
Foods	$ 175.7	$ 101.1	11.7%	56.3%
Consumer Non-Foods	71.3	17.7	32.1%	40.5%
Specialty Chemicals	7.3	3.1	18.7%	3.2%
Totals	$ 254.3	$ 121.9	15.8%	100.0%

Earnings before extraordinary items have grown at approximately the same rate as sales, rising at the rate of 18.0 per cent compounded annually.

Earnings per share, in rising from 99 cents as reported in fiscal 1971 to $2.04 in fiscal 1976, have grown at a compound annual rate of 15.6 per cent.

Return on average shareholders' equity, 16.7 per cent in fiscal 1976, compares with a 13.7 per cent return in fiscal 1971 and an average of 15.8 per cent for the most recent five years.

Growth in earnings has enabled dividends to increase each year. Dividends paid per share have increased 46.7 per cent, rising from 45 cents to 66 cents per share in fiscal 1976. An increase of two cents in the quarterly payment of August 1, 1976, will increase the annual dividend rate to 76 cents in fiscal 1977, assuming no further change during the year.

Record sales and moderating inflationary pressures made possible a 35 per cent improvement in working capital turnover as compared with 1975, which helped the company to strengthen an already strong balance sheet. The combination of $79,756,000 increase in shareholders' equity and a $53,331,000 reduction in debt lowered total debt to 32.6 per cent of total capitalization, well under the company's long-term objective of maintaining debt in the 35 to 40 per cent range. Shareholders' equity has nearly doubled in the past five years — from $332,677,000 to $640,245,000.

General Mills maintained its commitment to corporate citizenship and the concept that companies as well as individuals must contribute to the well-being of society. The company's business of providing high-quality products and services at fair values, conducted with integrity, is a basic social contribution. Beyond this, General Mills takes an active interest in the quality of life enjoyed by its employees and members of the communities of which it is a part.

In fiscal 1976, the company and its subsidiaries transferred $4,000,000 to the General Mills Foundation. Grants by the Foundation totaled $2,612,000 during the year, an increase of 20 per cent over fiscal 1975, with benefits paid to a variety of educational, civic, cultural, health and welfare programs. In addition, direct contributions of $700,000 were made by the corporation and its subsidiaries. The company also provided $110,000 in college scholarships through the Betty Crocker Search for Leadership in Family Living.

Its concern for the community led General Mills to invest, starting in fiscal 1975, in a new corporation, Stevens Court, Inc., to upgrade housing and reverse the process of physical deterioration and socio-economic downslide in a neighborhood near downtown Minneapolis and to preserve the character of the community. Stevens Court now includes 457 apartments, and General Mills, with 65 per cent ownership, has invested more than a million dollars in the company.

General Mills' energy conservation program continued to show significant progress. Savings programs instituted during the past two years became increasingly more effective. In the six-month period ended April 30, 1976, the months of peak energy consumption, for example, domestic operations of General Mills effected a 17.8 per cent, or $1,900,000, savings in total energy consumed as compared with pre-oil-embargo levels after adjustments for production and capacity changes. This improves on a 12.8 per cent, or $1,100,000, savings in the comparable period a year earlier. Through use of smaller, more efficient models, average miles per gallon performance by company-owned cars is 33 per cent better than two years earlier, and the 1,200 automobiles used 625,000 fewer gallons than their 1973 counterparts, saving about $350,000. The company also operated 18 commuter vans, an increase of three in the past year, with about 200 employees participating.

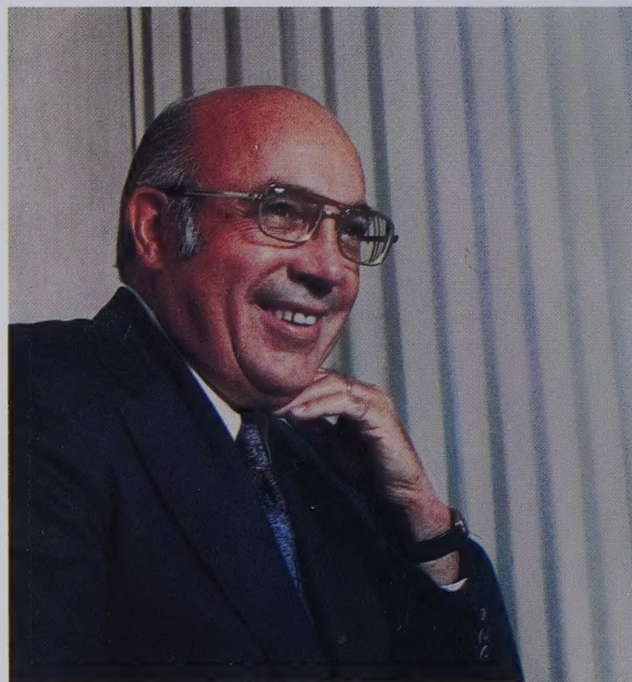
(Left to right) Paul L. Parker, Executive Vice President and Chief Administrative and Government Relations Officer; John L. Frost, Vice President, Director of Personnel; Donald M. Friborg, Vice President, Director of Industrial Relations.

Pollution control expenditures during the year totaled $1,600,000, a significant increase over the previous year's level, as a result of increased facility construction and capacity expansion. Because most of the projects to bring older facilities into compliance with pollution control requirements were completed more than two years ago, spending is now principally for new plants and processes.

General Mills continued its aggressive affirmative action program throughout the past fiscal year. At the end of 1976, 16 per cent of total U.S.-based employees were from minority groups, and more than 50 per cent were women. In the past three years, the total number of people in "exempt" managerial or professional positions has increased 30 per cent. In the same period, the number of minorities employed in that classification has increased by 81 per cent, and the number of women has increased 102 per cent.

Affirmative action to encourage the hiring and promotion of the qualified handicapped worker, along with insuring equal opportunity for the older worker, also received major emphasis during 1976.

The program of support for minority business enterprises was continued during the year with increasing success. Purchases from minority vendors nearly doubled over the prior year and amounted to $4,900,000, with wide participation by various divisions and subsidiaries throughout the corporation.



Eugene E. Woolley, Executive Vice President, Restaurants and Chemicals.

J. Wilbur Feighner, Executive Vice President; Chairman of Board, President, Tom's Foods Ltd. (seated left), meets with key members of his management team: (right) Michael L. Tracy, Vice President, President, GoodMark Foods, Inc.; (standing, left) Stewart F. Lyman, Vice President, President, The Donruss Co.; and (right) Thomas B. Black, Executive Vice President, Tom's Foods Ltd.

General Mills believes that the emphasis now being placed on nutrition and a balanced diet will benefit the company. General Mills has long had an interest in those areas, not only in the light of good corporate citizenship, but also as good business policy. Increased general understanding of the role of diet and proper balance in consumption of the four major food groups — meat, milk, bread and cereal, vegetable and fruit — will not only benefit the individual, it will also help General Mills as a supplier of nutritious foods. During the year, a reasonable daily fiber "requirement" was developed for use in product formulation, and a leadership role in nutrition education was maintained.

New nutrition education information was featured on 450,000,000 food packages, including a popular educational comic strip on cereal packages entitled "The Golden Valley." Supplementary nutrition booklets were offered on 166,000,000 packages; nutrition articles were prepared and published by newspapers with circulation of 5,000,000; more than

25,000 health professionals were reached via nutrition exhibits at conventions; more than 37,000 were addressed directly in speeches, and 260,000 pieces of nutrition literature were distributed. General Mills cooperated with the U.S. Department of Agriculture in developing and promoting a children's storybook, "The Thing the Professor Forgot." Requests for more than 600,000 copies were received within the first six months following publication.

Foods

(millions)	1976	1975	% Change
Sales	$1,813.7	$1,634.4	+11.0%
Operating Profits	$ 175.7	$ 147.4	+19.2%

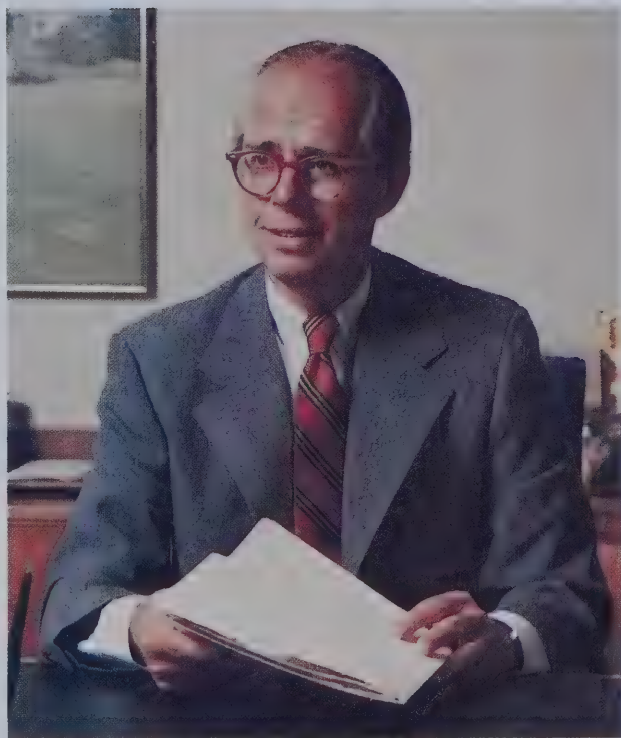
Breakfast and Snack Foods

Breakfast and snack products achieved sales of $694,200,000, or 11.7 per cent more than in the previous year. Operating profits totaled $97,300,000, an increase of 21.6 per cent on the strength of continued cereal market growth, favorable commodity price trends and new product successes in Big G breakfast foods, GoodMark, Donruss and General Mills' European snack operations.

The ready-to-eat cereal market grew substantially for the fifth consecutive year as consumers continued to recognize the nutritional and price/value benefits of cereals compared with other breakfast food products. Cereal market volume growth was comparable to the previous year's six per cent rate of gain but below the double-digit gains experienced in prior years.

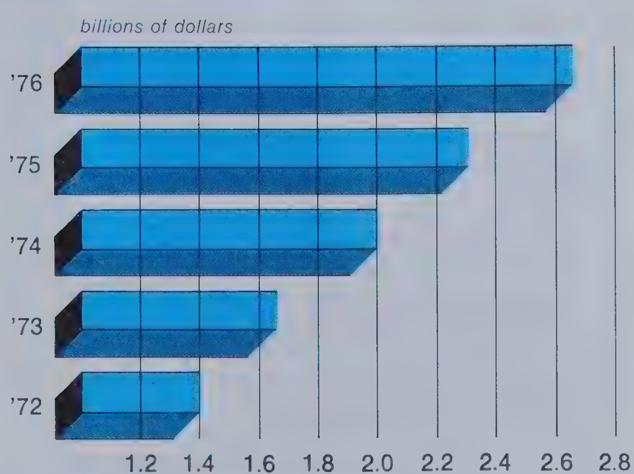
Big G breakfast cereals set all-time volume records for the fifth consecutive year, once again growing faster than the total cereal market. Fiscal 1976 sales of Cheerios, Trix and Lucky Charms reached record levels for the fourth straight year. Wheaties, Total and Kix brands also enjoyed strong years. Breakfast Squares ready-to-eat breakfast bars continued to maintain a solid franchise despite several new competing products. Nature Valley Granola achieved significant share gains in the natural/granola cereal category as this segment of the industry stabilized.

In the new product area, Golden Grahams cereal, a graham and honey flavored product with a unique texture, was introduced into 70 per cent of the United States in the fall of 1975, with consumer response exceeding excellent test market performance. Additionally, the Nature Valley Granola franchise was expanded through the successful national introduction in December, 1975, of Nature Valley Granola Bars, a convenient, portable form of the natural cereal. Cinnamon Nut Cheerios was introduced into two test markets in June, 1976.



F. Caleb Blodgett, Executive Vice President, Consumer Foods.

Sales



See page 38 for data on which this chart is based

In Byerly's Supermarket, Golden Valley, Minn. (left to right) Howard L. Ross, Vice President, General Manager, Grocery Products Sales Division; Walter R. Barry, Jr., Group Vice President, Consumer Foods; Gordon W. Ryan, Vice President, Director of Trade Policy and Customer Relations, Consumer Foods; James Heldt, Assistant Store Manager; and Gene Larges, General Mills Account Manager for Byerly's.

Volume growth in fiscal 1976 from both new and established Big G cereals continued to strain production capacity in spite of aggressive expansion actions during the past three years. Accordingly, additional plans for major expansion were initiated in April, 1976.

In the domestic snack area, Tom's Foods experienced substantial earnings growth as favorable commodity price trends enabled Tom's to restore margins to historical levels. Sales also grew, but at a lower rate than anticipated because of intense competitive activity. A new vending concept for snack refreshment service in larger offices met with favorable test results as did continued efforts to expand distribution to the fast-growing convenience store market. Independent distributors now provide individual store delivery to almost 20 per cent of the nation's estimated 25,000 convenience stores. Donruss and GoodMark products also enjoyed significant sales benefits from this program.

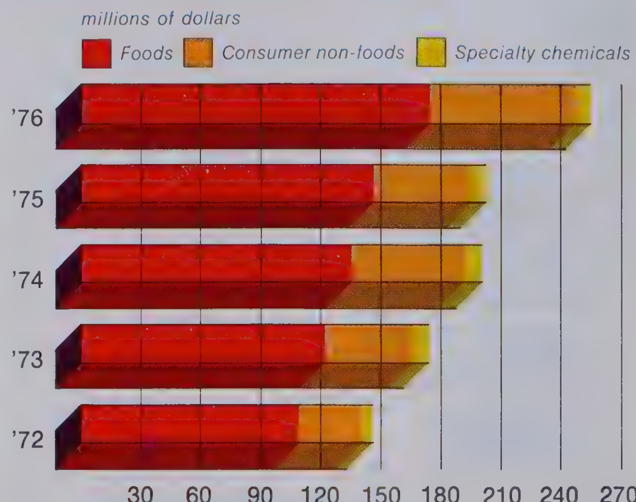
GoodMark Foods reported the highest earnings in its history as snack sales increased 36 per cent and all product categories experienced growth. New product successes included Big Slim smoked beef snack, Slim Jim pepperoni snack, Slim Jim cheese snack and Doggie Bag meat snack for pets.

The Donruss Co. enjoyed an excellent year. Unit volume grew as bubble gum products in take-home bags were well accepted by consumers. Sugarless bubble gum was introduced into test markets. Several new novelty bubble gum products were also successfully marketed, necessitating accelerated capital expenditures for additional production facilities.

In the supermarket snack area, production of Chipos and all shaped snacks except Bugles was discontinued in favor of concentration on the company's second generation of reformulated potato chips, sold under the Mrs. Bumby's trademark. As the potato chip industry reversed a 16-month decline, Mrs. Bumby's was introduced into test markets in Houston and Denver with encouraging initial results.

General Mills' snack business in Europe reported significant gains in earnings. Inflation and government price and wage controls continued to affect operations, though less intensely than in the previous year. Raw material prices eased slightly, except for potatoes, as adverse weather conditions drove up potato costs four to five times normal levels, resulting in higher selling prices. New product successes were responsible for most of the earnings increase. Smiths-England successfully introduced four new extruded and pasta-type snacks. Smiths-Holland and Smiths-Belgium also benefited from new product introductions, achieving record earnings. Zach, an Austrian pretzel and rusk manufacturer, showed steady growth in traditional lines and

Operating Earnings by Major Product Group



See page 37 for data on which this chart is based.

also entered new snack areas. Only Biscuiterie Nantaise in France, which achieved outstanding earnings the year before, failed to report higher profits in fiscal 1976. Earnings were adversely affected by a 12-day strike in September, combined with a depressed French economy which was unfavorable to cookie sales. In Mexico, a four-flavor line of salted snacks, new to the Mexican market, was introduced by Productos de Trigo.

Mixes, Family Flour, Seafood and Other Consumer Foods

Dessert and other mixes, family flour, seafood and other consumer foods achieved sales of $665,800,000 in fiscal 1976, an increase of 6.9 per cent. Operating profits of $46,900,000 were up 4.0 per cent from the previous year. In contrast to fiscal 1975, these gains by and large reflect increases in unit volume as moderating ingredient and other cost fluctuations resulted in lower selling prices and increased consumer demand.

Betty Crocker dessert lines, including layer and specialty cakes, frostings, brownies and other specialty desserts, achieved record sales and earnings in markets which total more than $700,000,000 in annual retail sales. The company strengthened its leadership position in the segments of the dessert market in which it competes to a record aggregate market share level. Betty Crocker layer cakes reached a 20-year high in unit sales, and ready-to-spread frostings and Snackin' Cake mixes had all-time record sales.

Cost for packaging materials, distribution, production labor and many ingredients continued to increase, but moderating costs for several ingredients, most notably sugar, permitted declines in wholesale prices averaging more than 12 per cent on products representing almost 90 per cent of the company's dessert lines. Consumers responded to improved Betty Crocker dessert price/value relationships, and sales increased as higher unit volume more than offset reductions in price.

A new specialty cake concept, sold under the Stir 'n Frost trademark, was successfully test marketed and introduced nationally in June, 1976. This new four-flavor dessert line gives consumers a maximum of convenience by providing cake mix, ready-to-spread frosting and a foil-lined pan for mixing and baking, all in one package. With Snackin' Cake, Stir 'n Frost establishes Betty Crocker as the leader in the specialty cake market. Party goods, comprised of the Pioneer Products line of cake decorations and candles and the Gay-Gem line of party favors and paper novelties, had an excellent year.

Gold Medal 'Kitchen-tested' flour and General Mills' regional brands, including Red Band, La Pina

(Left to right) Robert W. Hatch, Vice President, General Manager, Golden Valley Division; Ivy M. Celender, Vice President, Director of Nutrition; Preston Townley, Vice President, General Manager, Big "G" Division; Daniel G. McPherson, Vice President, Director of Quality Control, Food Safety and Nutrition Policy.

In the Betty Crocker Kitchens (left to right) Jason C. Becker, Vice President, General Manager, Northstar Division; Marylee Duehring, Vice President, Director, Betty Crocker Kitchens; Donald L. Knutzen, Vice President, General Manager, Betty Crocker Division; James S. Fish, Vice President, Consumer Communications and Marketing Services; Mazetta Ford, Product Representative.


(Left to right) William K. Smith, Vice President, Director of Transportation; M. M. Benidt, Vice President, Director, Latin American and Export Operations; D. J. Woodland, Vice President, General Manager, Procurement Division; Hank Fischer, Elevator Superintendent, Washburn Elevator, Minneapolis.

and Sperry Drifted Snow, attained their strongest volumes in 11 years while reaching their highest market shares in history. During the year, Gold Medal increased its share as the country's number one selling family flour. Pressure on discretionary income caused many consumers to continue to seek

John D. Herrick, Vice President, Chairman, General Mills Canada, Ltd. (left); and A. M. Aymong, President and General Manager, Lancia-Bravo Foods Division.

the cost savings of scratch baking. As a result, total flour industry volume was up slightly from the previous year. Flour prices changed several times during the year in accordance with wheat market fluctuations, but prices were lower at fiscal year-end than they had been at the close of the previous year.

Bisquick mix maintained its leadership position in the baking mix market as unit sales were the best in the product's 45-year history. Bisquick six-ounce pouch, successfully introduced in two sales regions in 1975, was expanded into four additional southern sales regions. Bisquick corn muffin and bread mix entered test markets in St. Louis and Florida in July, 1976.

Hamburger Helper and Tuna Helper dinner mixes strengthened their leadership share positions in the "add meat" package dinner category, a market which approximates $100,000,000 in annual retail sales. Hamburger Helper increased its share as a result of the successful introduction nationally of Hamburger Helper spaghetti dinner in January, 1976, and the expanded positioning of the Hamburger Helper franchise to include oven as well as skillet preparation.

General Mills maintained its leadership position in the instant potato market which regained its momentum with a six per cent increase versus the previous year. Sales of Betty Crocker specialty potatoes, including scalloped and au gratin varieties, were particularly strong with a growth rate of 14 per cent.

Gorton's recovered dramatically during the year to achieve record profitability. The company successfully entered the market with two new frozen product lines. Shrimp sticks, introduced nationally in June, 1975, captured a significant share of the shrimp stick market. More recently, in March, 1976, new batter fried fish fillets and fish sticks moved into regional distribution as production capacity came on stream. National distribution is planned by fall, 1976.

Intensive analysis of the protein industry and General Mills' existing protein businesses confirmed that new consumer products offered the only major promise of significant long-term profitability. Consequently, Country Breakfast Scramblin's and Country Breakfast links and patties, egg and sausage analogs which contain no cholesterol and are low in calories, were introduced in three test markets in March, 1976.

GoodMark Foods' Jesse Jones packaged meats sales exceeded last year by 28 per cent, largely from

gains in the frankfurter, bologna and sausage categories. With facilities fully utilized, a manufacturing plant in Salisbury, N.C., was acquired late in the year to permit future expansion.

In Canada, the Grocery Products Division increased sales and earnings. Good cost control and lower commodity prices compensated for the impact of strong inflationary pressures in all other cost areas. Lancia Bravo's Canadian package food earnings were below last year's record performance because of labor stoppages and intense price competition in a static pasta market.

In March, 1976, General Mills acquired 85 per cent of the capital stock of Saluto Foods Corp. of Benton Harbor, Mich., manufacturer of high-quality frozen pizzas. Saluto is a regional company with distribution concentrated in the Midwest and the Southeast. In addition to manufacturing six varieties of pizzas, Saluto recently introduced a new three-flavor line of Deep-Dish Sicilian Style pizza into selected midwestern markets with encouraging consumer response. The $390,000,000 frozen pizza market is expected to continue to show good growth. The high-quality segment of the industry, in which Saluto competes, is expected to grow at an even faster rate as consumers perceive high-quality frozen pizza as a convenient and lower cost alternative to pizzeria restaurant products. A new manufacturing plant in Montgomery, Ala., which opened in July, 1976, will significantly expand Saluto's distribution capabilities.

Commercial Foods and Ingredients

Sales of commercial foods and ingredients were down 1.3 per cent on sales of $273,000,000 as bakery flour prices declined compared with the prior year. Earnings rose 9.7 per cent to $7,900,000, reflecting excellent performances in commodity crop merchandising and food service operations. The results occurred despite a $7,000,000 pretax charge associated with conversion of the company's Cedar Rapids commercial protein plant to a package foods production facility.

General Mills' grain merchandising activity handled a substantial increase in volume, which resulted in a very satisfactory year. Domestic bakery flour volume remained strong as mills ran at peak capacities, well above the industry average. Sales dollars dropped because of lower material costs; however, increased volume produced profits second only to the previous year's record high. Earnings derived from export of flour and other food products were close to the previous year's record. In Latin America, flour deliveries increased, resulting in a record year. Construction and start-up of another milling unit in Nicaragua, designed to double production capacity, was completed.

In the food service market, flour and mix lines had record volumes and profits, achieving share gains in major categories and capitalizing upon renewed industry strength. Gorton's Food Service Division increased its share of the breaded raw fish market for the third year in a row. The food ingredients business of General Mills Chemicals, Inc., also had a highly satisfactory year. Demand for most products continued strong, and additional production facilities were installed at Keokuk, Iowa.

In the industrial soy protein market, in April, 1976, General Mills' Board of Directors voted to discontinue production of textured protein at General Mills' Cedar Rapids plant and to consolidate the manufacture of the most profitable commercial businesses at other locations, principally Toronto. This decision, following an intensive study of the company's future production requirements, permits the installation of additional capacity for cereals and other package foods at the Cedar Rapids plant.

Mercedes A. Bates, Vice President, Director, Consumer Center (left); and James J. Feeney, Vice President, General Manager, Sperry Division.

Vice Presidents William B. Darden and Joe R. Lee, Chairman and President, Red Lobster Inns of America, Inc., respectively (left to right, foreground) join Red Lobster Inns Executive Vice President Lonnie A. Gornto, Jr., (left, background) and Vice President (Operations) Michael C. McDermott for a meal served by waitress Pamela Stevens.

Restaurant Operations

General Mills' restaurant operations continue to be one of the company's most important growth centers. They accounted for 6.8 per cent of sales and 9.3 per cent of total operating profits in fiscal 1976 as compared with 4.9 per cent and 7.4 per cent, respectively, in fiscal 1975 and 1.2 per cent of sales and an operating loss in fiscal 1971.

Profitable expansion of Red Lobster Inns specialty seafood restaurants from 128 to 174 company-owned units in 26 states led the sales growth. Red Lobster served more than 46,000,000 customers during the year as sales of restaurant activities totaled $180,700,000, compared with $113,600,000 in fiscal 1975 and $77,800,000 in 1974. Operating profits grew 56.3 per cent to $23,600,000 as average weekly customer counts and check averages per store increased. In fiscal 1976, Red Lobster sold more seafood than any other restaurant operation in the country. This momentum assured continued expansion in fiscal 1977 at the rate of three new units per month. New markets will include Southern California and New England.

Arthur R. Schulze, Group Vice President, Consumer Foods (left); and Ross N. Clouston, Vice President, President, Gorton's.

In January, 1976, Red Lobster introduced a new restaurant concept under the Hannahan's name, opening one store in Orlando, Fla., on a test basis with three more units scheduled for opening by August, 1976. Featuring beef and seafood at reasonable prices, Hannahan's offers efficient self-service with sit-down eating. Unlike traditional self-service restaurants, however, Hannahan's prepares the entree after a customer places his order.

The E. H. Thompson Company, manufacturer of restaurant furnishings and fixtures, reported excellent gains. The Betty Crocker Pie Shops, a six-unit operation featuring light lunches and quality, fresh baked pies, was merged with the company's Red Lobster Inns organization in June, 1976.

Consumer Non-Foods

(millions)	1976	1975	% Change
Sales	**$ 727.4**	**$ 582.9**	**+24.8%**
Operating Profits	**$ 71.3**	**$ 48.6**	**+46.7%**

Crafts, Games and Toys

General Mills' Craft, Game & Toy Group again outperformed the markets in which it competes both in the United States and overseas. Fiscal 1976 sales rose 15.0 per cent to $347,600,000. Improved margins yielded operating profits of $41,600,000, an increase of 35.9 per cent.

Kenner Products had an excellent year. Traditionally strong products such as Play-Doh modeling compound and SSP automotive toys, together with exciting new products, enabled Kenner to exceed $100,000,000 in sales, a level attained by only four other domestic toy companies in the same period. The Six Million Dollar Man action figure doll and the Tree House play set for preschoolers were two

new products whose momentum carried Kenner solidly into the 1977 fiscal year. Kenner strengthened its position by adding the Tree Tots Amusement Park and Bionic Woman to the line.

Elsewhere in the United States, Parker Brothers and Fundimensions both achieved strong profit performances. Parker Brothers all-family game line was expanded by the introduction of Pay Day, the most successful new game in the industry. Parker's management team introduced several other new products, increased margins and modernized Parker's major manufacturing facility to increase effective capacity. Fundimensions also delivered increased sales and significantly improved earnings. In calendar 1976, Fundimensions entered the slot-racing car market with Lionel Power Passers, an exciting new slotless race car set with a technological breakthrough that gives operators the ability to change lanes at will. Lionel train sales continued to grow as did MPC hobby kit sales despite a reduction in the number of items in the line. Craft Master paint-by-number kits achieved higher sales and profits than ever before.

Overseas, every craft, game and toy operation showed notable progress. In the United Kingdom, Palitoy and Denys Fisher both increased their share of an industry that suffered from an unstable economy. The Six Million Dollar Man was as popular in England as in the United States, contributing significantly to Denys Fisher's sales as did a new line of preschool items at Palitoy.

In France, Miro and Capiepa games, Meccano toys and France Cartes playing cards were combined into the Miro Group. The advent of television toy advertising in France last year brought about an entirely new stage in that market's development, with Meccano and Miro taking advantage of the opportunity to advertise games, toys and dolls. In Germany, operations showed improvements as a result of a strong game line and withdrawal from manufacture of unbranded plastic toys.

Toltoys in Australia continued as the leader in its market as did Clipper Games and Toys in Holland. Strong management teams in both firms took advantage of opportunities to license products from all over the world. Parker Canada, with its new game entry, Mastermind, and strong introductory toy items, continued to improve its Canadian market position. Lili-Ledy in Mexico turned in another outstanding year. Its plant operations were extremely effective, cushioning very sharp mandated labor rate increases. Product leadership, particularly in dolls, remained unchallenged.

In the collecting hobby fields, H. E. Harris broadened its strong market leadership in stamp collecting. New wholesale services provided growth and more frequent mailings to collectors increased direct sales volume. A new field, foreign banknote collecting, promised to add a new facet to this successful business. Bowers & Ruddy Galleries, a mail-order and auction rare coin dealer, experienced an earnings decline although sales increased despite reduced industry turnover.

General Mills worldwide managers at the International Toy Fair in New York City: TOP: (left to right) Robert Fieldhouse, Managing Director, Denys Fisher Toys Division (England); Ted C. Betker, Vice President, President, Fundimensions; Bernard Loomis, Vice President, President, Kenner Products. MIDDLE: (left to right) Michel Habourdin, Vice President, President and General Manager, Miro Company, S.A. (France); Robert B. Simpson, Vice President, Managing Director, Palitoy Division (England); Paul J. Curran, Vice President, International Operations, Craft, Game & Toy Group; Randolph P. Barton, Vice President, President, Parker Brothers. BOTTOM: (left to right) John P. Eckert, Vice President, President, Lili-Ledy, S.A. de C.V. (Mexico); Wesley P. Mann, Jr., President and General Manager, H. E. Harris & Co., Inc.; A. Thomas Vernon, President and General Manager, Parker Brothers Division of General Mills Canada, Ltd.

Fashions, Specialty Retailing and Furniture

General Mills' fashion, specialty retailing and furniture businesses reported sales of $379,800,000, an increase of 35.3 per cent from fiscal 1975, and operating profits of $29,700,000, up 65.0 per cent from depressed levels of one year ago.

Fiscal 1976 was a period of recovery in the apparel industry as renewed consumer purchasing momentum developed during the summer, 1975, and continued throughout the year. Monet Jewelers, recognized for its quality products and dedication to strong retailer relationships, maintained its outstanding growth rate and further improved its position as the leading costume jewelry line in fine stores across the country.

David Crystal's profits were almost twice those of 1975, with particularly strong performances from Izod and Crystal Sunflowers. The Izod j.g. Alligator emblem shirts of the Crystal Sunflowers Division became one of the most popular items in children's clothing during the year. The impressive gains at Monet and David Crystal more than offset disappointing sales at Kimberly and Lord Jeff, where market demand for knits and sweaters did not fully recover during the year. Fourth quarter bookings for Lord Jeff were very strong, however, suggesting a return to accelerated growth in fiscal 1977.

(Clockwise) Michael P. Chernow, President, Monet Jewelers, Inc.; Jack Lazar, Vice President, President, Kimberly Knitwear Inc.; John B. Holmes, President, David Crystal, Inc.; Richard N. Tarlow, President, Foot-Joy, Inc.; Gloria Gelfand, President, Picato, Inc.; Norman Gatof, Executive Vice President and General Manager, Monet Jewelers, Inc.; (center) Robert J. Hoy, President, Lord Jeff Knitting Co., Inc.

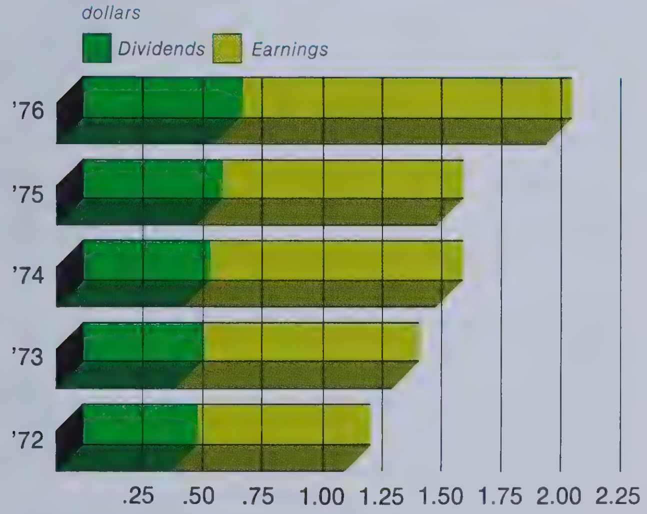
The Fashion Group continued its new business efforts during the year. Foot-Joy, the world's leading manufacturer of quality golf shoes, was acquired (60 per cent) in July, 1975. Together with Izod, Haymaker and Crystal Professional Sports, Foot-Joy establishes General Mills' Fashion Group as a leader in the growth area of better active sportswear. David Crystal opened its Equations Division to offer younger women updated and tastefully-styled sportswear. This new and growing market is also served by the Fashion Group's Picato line. Monet Jewelry introduced Ciani, its new line of fine jewelry, in response to growing demand for precious and semi-precious jewelry. Because of continued weak market prospects, the assets of the Silna Division (doubleknit textile manufacturing) and Knothe (men's belts and pajamas) were sold during the year.

General Mills' Specialty Retailing Group consists of Eddie Bauer goose down garments and other outdoor recreational products, LeeWards' creative home crafts and The Talbots' line of women's better casual wear. Earnings rebounded strongly and above expectations from the prior year's depressed levels. Substantial improvements were made in inventory turnover and the efficient use of other company assets, markedly improving return on investment.

Continued strong consumer demand for Eddie Bauer products was reflected in healthy sales growth in mail-order, retail and Canadian operations. Retail sales were bolstered by the opening of a new store in Washington, D.C., in September, 1975. Improved cost controls, particularly in manufacturing, coupled with selective price increases, improved margins and resulted in sizable earnings gains. Plans call for a ninth Eddie Bauer store to open in suburban Seattle in October, 1976.

The Talbots' sales of women's tastefully-styled casual apparel increased by 46 per cent in fiscal 1976 while earnings were even more impressive. Strong sales and earnings gains occurred in both retail and catalog mail-order operations, reflecting The Talbots' success in establishing a growing customer base and in offering appealing merchandise. The

Earnings Per Common Share and Common Share Equivalent Before Extraordinary Items; Dividends Per Common Share



See page 38 for data on which this chart is based.

Talbots' retail operations are located exclusively in New England, where The Talbots opened its seventh store in suburban Boston in October, 1975.

At LeeWards, good consumer demand on the retail level resulted in overall sales growth. LeeWards' retail operations consist of 28 Creative Craft Centers in 18 states, many offering class instructions in the creative craft arts as well as a broad line of needlework and craft products. Following several years of aggressive store expansion, fiscal 1976 was a year of consolidation and refinement of control systems at LeeWards; the result was improved margins, a sizable increase in earnings and a much improved return on investment. Newly designed LeeWards stores will open in Cleveland, Chicago and Milwaukee during the fall of 1976.

In the General Mills Travel Group, Intra-World Incentives, Inc., showed volume gains in marketing its incentive travel programs to corporations and other organizations. The company increased its team of account executives to service more effectively the growing incentive travel market. Olson-Travelworld Organization completed its first year as a combined company with improved sales. Management and operations were reorganized to accommodate product line expansion and anticipated increases in the tour travel market.

Betty Crocker Enterprises turned in solid performances with cookbook sales exceeding 1,700,000 copies. A new cookbook entitled *Betty Crocker's Cooking American Style,* the company's 25th cookbook, was released in the spring. The Betty Crocker Recipe Card Library, with more than 25,000,000 sets purchased through the mails since its introduction in 1971, was expanded by an all-new collection, *Betty Crocker's Step-by-Step Recipe Cards.*

Because of declining sales and unfavorable test results, General Mills' Counterweight operation was terminated at the end of the fiscal year. The Betty Crocker Creative Learning Centers, an experiment in leisure-time education, were sold in October, 1975. Competition from non-profit community school programs prohibited an adequate return on investment.

General Interiors Corporation, in its first full year as a member of the General Mills family, faced a difficult period in the furniture industry. The industry lagged the general recovery of the economy in both timing and intensity. On a slight decline in sales, General Interiors' operating profits were nearly equal to the results of the comparable period a year ago, and had no significant effect on total corporate earnings trends. Only two months of General Interiors' results were included in General Mills' fiscal 1975 data.

(Seated, left to right) C. Thomas Marshall, during 1975-1976 President of Eddie Bauer, Inc.; Lee C. Anderson, Vice President, President, LeeWards Creative Crafts, Inc.; Rudolf L. Talbot, President, The Talbots, Inc.; (standing) James H. Ruben, Vice President, Manager, Specialty Retailing Group.

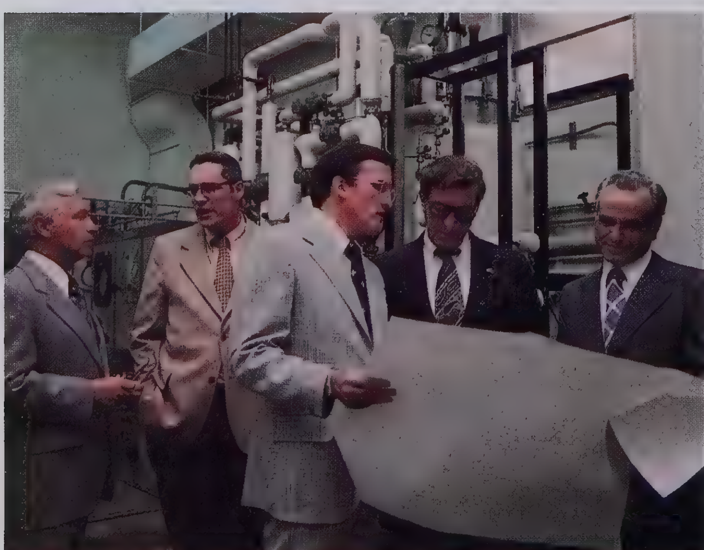
Specialty Chemicals

(millions)	1976	1975	% Change
Sales	$ 103.9	$ 91.6	+13.4%
Operating Profits	$ 7.3	$ 6.9	+ 5.8%

General Mills Chemicals, Inc., finished the year in a position of strength. After suffering from the recent economic downturn through the first half of the year, specialty chemicals experienced a strong business recovery beginning in February, 1976, culminating in record fourth quarter earnings.

Resin product results were very satisfactory as General Mills Chemicals, Inc., continued to pursue strong developmental programs, mainly in high performance adhesives. Vitamin E sales were depressed early in the year but picked up strongly late in the year.

Operating profits were significantly affected by lower profits in water-soluble polymers and in mining chemicals. Earnings from water-soluble products were lower because of a major inventory adjustment taken when raw material costs dropped significantly and because of a general slowdown in product demand due to economic conditions. Copper mining reagents were affected by depressed copper prices. Plans by an international consortium to construct copper mining facilities in central Africa utilizing General Mills' LIX reagents were suspended because of lack of financing. Political unrest in central Africa and a depressed copper industry were principal factors, and at this time it is uncertain when the project for that rich copper deposit will be reactivated.



Meeting in chemical laboratories are (left to right) Donald W. Carlson, Vice President, President, General Mills Chemicals, Inc.; David Clark, Manager of Biotechnology; and General Mills Chemicals' Vice Presidents David D. Taft, William L. Spliethoff and S. Burton Lee.

International subsidiary earnings were comparable to those of the previous year, with strong performances in Mexico offsetting moderate declines in Japan and Brazil. During the year, chemical capacity expansions were completed in the United States, Brazil, Italy, Ireland and England. Construction continued on new facilities for resin products and xanthan gum.

O-Cel-O, with sales 71 per cent ahead of last year, reported all-time record sales and earnings. Sales of O-Cel-O sponges recovered sharply during the year.

Leadership

Effective leadership capable of adapting dynamically to the more rapid pace of worldwide economic and environmental changes has been essential to the success of General Mills. To provide for the orderly transition of management, required by the forthcoming, mandatory retirement of Chairman James P. McFarland at age 65 on February 1, 1977, several changes in the top management structure became effective June 1, 1976.

E. Robert Kinney was elected by the Board of Directors to succeed McFarland as Chief Executive Officer; McFarland will continue as Chairman until his retirement. Kinney became a vice president of the company in September, 1968, a month after The Gorton Corporation, of which he was President, merged with General Mills. In November, 1969, Kinney was elected a member of the Board of Directors and Executive Vice President with responsibility for the company's consumer food, chemical and restaurant operations. He was named Chief Financial Officer in December, 1970, and President and Chief Operating Officer in June, 1973.

H. Brewster Atwater, Jr., was elected by the Board to succeed Kinney as Chief Operating Officer. Atwater joined General Mills in 1958 and served in a variety of sales and marketing assignments prior to being named a vice president in 1965. In February, 1969, he became Vice President, Consumer Foods Group, comprising four divisions dealing with products marketed through grocery stores. He was named Executive Vice President for the Consumer Foods Group in December, 1970, and in June, 1971,

was elected to the Board of Directors. In September, 1973, Atwater was assigned additional responsibilities for international food operations.

James A. Summer, who has served the company in a variety of management assignments since joining General Mills in 1960, including President and Chief Operating Officer, continues as Vice Chairman, Chief Financial and Development Officer. Paul L. Parker, previously Senior Vice President, Public and Employee Relations, and a 20-year company employee, was elected to the position of Executive Vice President and Chief Administrative and Government Relations Officer.

Donald F. Swanson, Executive Vice President and member of the Board of Directors, was named Senior Executive Vice President, Consumer Non-Foods. F. Caleb Blodgett, previously Group Vice President, Consumer Foods, was named Executive Vice President, Consumer Foods, succeeding Atwater. Other Executive Vice Presidents include J. W. Feighner, Executive Vice President, Specialty Foods, and a member of the Board of Directors, and E. E. Woolley, Executive Vice President, Restaurants and Chemicals.

Dr. John V. Luck was named Senior Vice President and Technical Director. James M. Neville was elected Secretary of the corporation. Clifford L. Whitehill, Vice President and General Counsel, was elected a corporate officer in July, 1976. Whitehill also assumed responsibilities as the company's principal legal officer with the retirement on August 1, 1976, of John F. Finn, Vice President-Law, Secretary.

To provide direction and leadership of corporate policy matters, a new Management Policy Committee was formed with Kinney, Atwater, Summer, Swanson and Parker as members. Edward K. Smith, Vice President and Controller, serves as secretary.

Since publication of the last annual report, a number of changes have been made in operating management assignments. Vice President Jason C. Becker became General Manager of the newly formed Northstar Division. Vice President James G. Fifield was appointed General Manager, New Business Division. Robert W. Hatch, Vice President, became General Manager of the Golden Valley Division. Jack A. Liquorish was named Vice President and Chairman of Smiths Food Group, England.

In consumer non-food areas, James H. Ruben was named Vice President and Manager of the Specialty Retailing Group, and President John B. Holmes became Chief Executive Officer of David Crystal, Inc. In July, 1976, two subsidiary presidents resigned to pursue personal business interests. They are Vice President Robert S. Fogarty, Jr., of General Interiors, and C. Thomas Marshall of Eddie Bauer. Robert E. Zimmerman, previously Executive Vice President and Chief Operating Officer of General Interiors, was named President of that subsidiary.

Significant changes in General Mills' Board of Directors also occurred after publication of the 1975

James M. Neville, Secretary (left); and John F. Finn, Vice President—Law (retired, August 1, 1976).

(Left to right) Cyrus E. Johnson, Vice President, Social Action and Community Relations; William R. Humphrey, Jr., Vice President, Executive Director of the General Mills Foundation; J. William Haun, Vice President for Engineering Policy; Stanley V. Tabor, Vice President, Corporate Real Estate.

(Left to right) Sue Eastes, Group Leader, Systems and Programming; Thomas P. Nelson, Vice President, Control and Administration, Consumer Foods; George B. Stephan, Vice President, Director of Administration and Group Controller, Craft, Game & Toy, Specialty Retailing and Travel Groups; Henry H. Porter, Jr., Vice President—Finance, Treasurer; Edward K. Smith, Vice President and Controller.

(Seated, left to right) James R. Pratt, Vice President, Director of Taxes; Clifford L. Whitehill, Vice President, General Counsel; Verne C. Johnson, Vice President, Director of Corporate Planning; (standing) John T. Gerlach, Vice President, Director of Corporate Growth.

annual report, including the election of three new members.

Dr. Gwendolyn A. Newkirk, Professor and Chairman of the Department of Education and Family Resources at the University of Nebraska, was elected a Board member on December 15, 1975. Waverly G. Smith, President of St. Paul Fire and Marine Insurance Company, the major subsidiary of the St. Paul Companies, was elected to the Board June 28, 1976. A third new member is John W. Morrison, Chairman and Chief Executive Officer of Northwestern National Bank of Minneapolis and former Executive Vice President and Chief Financial Officer of Honeywell Inc., elected July 26, 1976.

Departing Board members include J. Ford Bell, who retired on December 1, 1975, following 43 years in the food business (14 years as a member of the company's Board of Directors) and General Edwin W. Rawlings (USAF-Ret.), who retired on March 1, 1976. General Rawlings was instrumental in transforming General Mills from a narrowly based flour and food company to a broadly diversified multi-billion dollar consumer products and services operation.

David M. Lilly, formerly Chairman of the Board of The Toro Company, resigned from the Board on June 1, 1976, in order to accept an appointment to the Board of Governors of the Federal Reserve System. Nancy White, former Editor of Harper's Bazaar and former Fashion Director of Bergdorf Goodman, and R. Stanley Laing, former President of the National Cash Register Company, resigned on June 28, 1976. Laing was elected in August, 1963, and White in October, 1972.

Finance and Capital Investments

At the company's annual meeting in September, 1975, the General Mills shareholders approved their Board of Directors' recommendations to increase the company's authorized common shares from 30,000,000 to 70,000,000 and to effect a two-for-one stock split. Also in September, the Board of Directors increased the quarterly dividend rate to 17 cents, payable November 1, 1975, an increase of two cents after the effect of the stock split.

Subsequently, the Board declared another two-cent dividend increase, to 19 cents per share quarterly, for the payment of August 1, 1976.

The company's financial position was significantly strengthened during the year as a result of record

AUTOMATIC DIVIDEND REINVESTMENT PLAN

As of July 9, 1976, 2,541 of 29,141 shareholders were participants in General Mills' Automatic Dividend Reinvestment Plan. This plan is a convenient and economical way by which shareholders may increase their holdings in General Mills. Under the plan, dividends due participating shareholders are deposited directly with the First National Bank of Minneapolis which, as purchasing agent, combines the purchases of all participating shareholders to give each the economies of large-scale purchases. The cost of purchasing General Mills' common shares through the plan is less than the usual broker commission for small transactions.

Shareholders may obtain a brochure giving further details by writing:

General Mills, Inc.
Stock Transfer Department
P.O. Box 1113
Minneapolis, Minnesota 55440

earnings and a $53,586,000 decline in net working capital employed by operations, which resulted in a dramatic 35 per cent increase in working capital turnover. At year-end, consolidated debt was down $53,331,000 from the prior year while cash and marketable securities increased $71,861,000.

Gross capital expenditures for fixed assets were $94,442,000 during the year, the second highest total ever but 5.4 per cent under the fiscal 1975 figure. These funds were spent broadly throughout the company. Major areas of new investment include Red Lobster Inns (which added 37 new units and purchased the only nine franchised units during the year), domestic and international food operations and crafts, games and toys.

External financing was limited primarily to unsecured short-term notes issued to provide the cash for seasonal working capital needs. Notes payable outstanding averaged $49,400,000 compared to $111,500,000 during fiscal 1975. As a result, interest expense was $6,819,000, or 18.8 per cent, lower than in the prior year. In line with expected borrowing requirements, the company has reduced its domestic credit lines by $157,000,000 to $75,000,000, including a reduction effective July 1, 1976.

From time to time, the company uses small amounts of its common stock held in the Treasury for various corporate purposes. It may seek to replenish the Treasury by purchasing General Mills common stock in the public market or in private transactions.

Industrial Relations

In a year marked by the "cooling" of inflation, the "bottoming out" of the nation's economic recession and a return to a lower, more normal level of national strike activity, relationships between the company and the 24 international and independent unions representing its employees in 71 bargaining units continued to be constructive. In a fourth consecutive year of heavy bargaining, 42 parent company and subsidiary labor contracts were renegotiated.

Three work stoppages arising from contract negotiating impasses occurred during the year at subsidi-

(Left to right) James G. Fifield, Vice President, General Manager, New Business Division; J. Robert Roach, Vice President, Director of Research and Development, Food Activities; (on ladder) John L. Holahan, Vice President, Director of New Product and Process Activity; Edward K. Bixby, Vice President, General Manager, Package Foods Operations Division; John V. Luck, Senior Vice President and Technical Director.

Robert K. Swanson, Group Vice President, Consumer Foods.

ary locations. A strike at Gorton's, Gloucester, Mass., plant lasted seven days, and an association-wide strike/lockout involving 30 Seattle employees of Eddie Bauer, along with employees of 45 other Seattle companies, lasted 20 days. In France, there was a 12-day strike at Biscuiterie Nantaise.

Meeting in Salzburg, Austria, are (left to right) Christopher B. Daniell, Director of Affiliated Companies, General Mills Europe; Caspar B. M. de Jong, Vice President, General Manager, Smiths Food Group B. V. (Holland); Lionel Cossé, Vice President, President and Managing Director, Biscuiterie Nantaise - BN, S.A. (France); Donald A. Lundie, Group Controller, General Mills Europe; Jack A. Liquorish, Vice President, Chairman, Smiths Food Group, U.K.

While much time and effort were devoted to renegotiation of expiring labor contracts, training needs were not neglected. Continued emphasis was placed on the training of managers and supervisors in effective human relations, labor contract administration and employee job safety.

The corporate accident prevention program again produced significantly better safety results than those reported by the National Safety Council for general industry and for the specific industries in which the company operates.

Advertising and Research Investments

Advertising media expenditures increased $40,900,000 from the prior year to $111,400,000. This investment and increased trade promotion expenditures supported efforts to increase sales volume of established products and to launch new products. They proved effective in maintaining or improving share of market for most of the company's package food lines.

Emphasis on internal growth was further supported by increases in research and development expenditures, which increased over 12 per cent to $25,700,000. Success of new food, toy, chemical and other products in recent years demonstrates the importance of the efforts of the company's scientists and technologists to the company's progress.

Legal Matters

A discussion of legal matters is contained in Note 14 of Notes to Consolidated Financial Statements on page 34 of this report.

General Mills

Consolidated Results of Operations

GENERAL MILLS, INC., AND SUBSIDIARIES

	Fiscal Year Ended May 30, 1976 (53 Weeks)	Fiscal Year Ended May 25, 1975 (52 Weeks)
	(in thousands)	
SALES	$2,644,952	$2,308,900
COSTS AND EXPENSES:		
Costs of sales, exclusive of items shown below	1,654,169	1,531,535
Depreciation expense (Note 1)	45,006	39,744
Amortization expense (Note 1)	1,701	2,043
Interest expense	29,400	36,219
Contributions to employees' retirement plans (Note 9)	17,903	11,465
Profit sharing distribution (Note 10)	3,527	3,129
Selling, general and administrative expenses	692,985	539,132
TOTAL	2,444,691	2,163,267
EARNINGS BEFORE TAXES ON INCOME and Other Items shown below	200,261	145,633
TAXES ON INCOME (Note 11)	(99,964)	(70,650)
OTHER ITEMS:		
Add share of net earnings of 20-50% owned companies	1,094	1,268
Less minority interests in net earnings of consolidated subsidiaries	(853)	(38)
NET EARNINGS	$ 100,538	$ 76,213
EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT (Notes 1 and 7)	$ 2.04	$ 1.59
Average number of common shares and common share equivalents (Note 1)	49,203	47,845

Earnings Employed in the Business

	Fiscal Year Ended May 30, 1976 (53 Weeks)	Fiscal Year Ended May 25, 1975 (52 Weeks)
	(in thousands)	
NET EARNINGS FOR THE YEAR	$ 100,538	$ 76,213
DIVIDENDS—Common stock ($0.66 per share—1976, and $0.58½ per share—1975) (Note 7)	(32,391)	(27,806)
NET EARNINGS AFTER DIVIDENDS	68,147	48,407
Other adjustments	(149)	—
NET INCREASE IN RETAINED EARNINGS	67,998	48,407
RETAINED EARNINGS AT BEGINNING OF YEAR	401,011	352,604
RETAINED EARNINGS AT END OF YEAR (Note 6)	$ 469,009	$ 401,011

See accompanying notes to consolidated financial statements.

General Mills

Consolidated Balance Sheets

GENERAL MILLS, INC., AND SUBSIDIARIES

ASSETS

	May 30, 1976	May 25, 1975
	(in thousands)	
CURRENT ASSETS:		
Cash (Note 5)	$ 4,478	$ 7,623
Marketable securities (at cost, approximates market value)	77,351	2,345
Receivables:		
Customers	199,966	197,062
Miscellaneous	22,425	22,525
	222,391	219,587
Less allowance for possible losses	(6,428)	(6,006)
	215,963	213,581
Inventories (Notes 1 and 4)	353,654	345,907
Prepaid expenses	21,351	20,917
TOTAL CURRENT ASSETS	672,797	590,373
OTHER ASSETS:		
Land, buildings and equipment (Note 1):		
Land	41,806	39,577
Buildings	256,570	232,862
Equipment	393,265	365,377
Construction in progress	47,621	47,423
	739,262	685,239
Less accumulated depreciation	(267,770)	(244,261)
	471,492	440,978
Miscellaneous assets:		
Investment in 20-50% owned companies (Note 1)	11,339	12,289
Other	23,071	15,780
	34,410	28,069
Intangible assets (Note 1):		
Excess of cost over net assets of acquired companies	138,802	128,658
Patents, copyrights and other intangibles	10,695	17,555
TOTAL OTHER ASSETS	655,399	615,260
TOTAL ASSETS	$1,328,196	$1,205,633

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 30, 1976	May 25, 1975
CURRENT LIABILITIES:	*(in thousands)*	
Notes payable (Note 5)	$ 24,098	$ 55,048
Current portion of long-term debt	4,405	3,637
Accounts payable and accrued expenses:		
Accounts payable—trade	194,622	147,888
Accounts payable—miscellaneous	46,671	27,284
Accrued payroll	29,933	24,557
Accrued interest	5,546	8,335
	276,772	208,064
Accrued taxes	69,045	43,301
Thrift accounts of officers and employees	3,363	3,484
TOTAL CURRENT LIABILITIES	377,683	313,534
OTHER LIABILITIES:		
Long-term debt, excluding current portion (Note 6)	281,763	304,912
Deferred Federal income taxes (Note 1)	11,231	15,338
Deferred compensation	6,442	6,346
Other liabilities and deferred credits	5,773	1,895
	305,209	328,491
TOTAL LIABILITIES	682,892	642,025
MINORITY INTERESTS	5,059	3,119
STOCKHOLDERS' EQUITY:		
Common stock (Notes 7 and 8)	172,897	161,657
Retained earnings (Note 6)	469,009	401,011
Less common stock in Treasury, at cost	(1,661)	(2,179)
TOTAL STOCKHOLDERS' EQUITY	640,245	560,489
COMMITMENTS, LITIGATION AND CLAIMS (NOTES 12, 13 AND 14)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,328,196	$1,205,633

General Mills

Consolidated Changes in Financial Position

GENERAL MILLS, INC., AND SUBSIDIARIES

	Fiscal Year Ended			
	May 30, 1976 (53 Weeks)		May 25, 1975 (52 Weeks)	
	(in thousands)			
WORKING CAPITAL PROVIDED BY:				
Net earnings		$100,538		$ 76,213
Add non-cash items:				
Depreciation and amortization		46,707		41,787
Discontinued operations		6,494		(249)
Writeoffs of goodwill		2,476		145
Deferred Federal income taxes		(3,376)		4,651
Other		361		1,363
Working capital provided from operations		153,200		123,910
Proceeds from long-term debt issued		834		3,191
Common stock issued		7,500		26,038
Sale of stock upon exercise of options		3,788		2,367
Other sources		4,577		1,821
TOTAL WORKING CAPITAL PROVIDED		169,899		157,327
WORKING CAPITAL USED FOR:				
Gross additions to buildings and equipment	$ 94,442		$ 99,832	
Less proceeds from sales	(12,637)		(4,327)	
Net additions to buildings and equipment		81,805		95,505
Purchase price of businesses	10,789		29,891	
Less working capital acquired	(2,683)		(16,207)	
Balance		8,106		13,684
Consisting of—Fixed assets	5,166		7,765	
—Intangibles and miscellaneous assets	7,173		19,626	
—Long-term debt	(3,032)		(13,782)	
—Minority interest	(1,075)		346	
—Other	(126)		(271)	
Dividends		32,391		27,806
Reductions of long-term debt		25,376		10,728
Other uses		3,946		872
TOTAL WORKING CAPITAL USED		151,624		148,595
NET INCREASE (DECREASE) IN WORKING CAPITAL		18,275		8,732
Consisting of—Cash and marketable securities	71,861		(9,918)	
—Receivables	2,382		27,110	
—Inventories	7,747		(7,404)	
—Payables	(64,149)		(1,104)	
—Other	434		48	
WORKING CAPITAL AT BEGINNING OF YEAR		276,839		268,107
WORKING CAPITAL AT END OF YEAR		$295,114		$276,839

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

General Mills

May 30, 1976, and May 25, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies used to prepare the consolidated financial statements are summarized below.

A: CONSOLIDATION

The consolidated financial statements include the following domestic and foreign operations: (1) parent company operations and 100 per cent owned subsidiaries; (2) majority-owned subsidiaries; and (3) General Mills' investment in and share of net earnings or losses of 20-50% owned companies.

All significant intercompany items have been eliminated from the consolidated financial statements.

The fiscal years of foreign operations generally end in April.

B: LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Land, buildings and equipment are stated substantially at cost.

Part of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed primarily by the straight-line method, which means that equal amounts of depreciation expense are charged against operations each year during the useful life of an item. For tax purposes, accelerated methods of depreciation are used which provide more depreciation expense in the early years than in the later years of the life of the item. The related tax effect for accelerated depreciation is reflected in "Deferred Federal income taxes."

The useful lives employed for computing depreciation on principal classes of buildings and equipment are:

Buildings	20-50 years
Machinery and equipment	5-25 years
Office furniture and equipment	5-10 years
Transportation equipment	3-12 years

General Mills' policy is to charge maintenance, repair and minor renewal expenses to earnings in the year incurred and to charge major improvements to buildings and equipment accounts. When major equipment items are sold or retired, the accounts are relieved of cost and the related accumulated depreciation. Gains and losses on assets sold or retired are credited or charged to results of operations.

C: INVENTORIES

Grain, family flour and bakery flour are valued at market and include adjustments for open cash trades and unfilled orders.

Raw materials, work-in-process and finished goods for a portion of the domestic food inventories, domestic crafts, games and toys inventories and certain other inventories are stated at the lower of cost, determined by the Last-in, First-out (LIFO) method, or market. Other inventories are generally stated at the cost of the most recently purchased materials (FIFO) reduced to market when lower.

D: AMORTIZATION OF INTANGIBLES

The costs of patents and copyrights are amortized evenly over their lives by charges against earnings. Most of these costs were incurred through purchases of businesses.

"Excess of cost over net assets of acquired companies" ("excess cost") is the difference between purchase prices and the values of assets of businesses acquired and accounted for under the purchase method of accounting. Any "excess cost" acquired after October, 1970, is amortized over not more than 40 years. Annually, the Audit Committee of the Board of Directors reviews these intangibles and balances are reduced if values have diminished. Because of low earnings to date and significant organizational changes in the company's travel venture, "excess cost" in the amount of $2,400,000 (both before and after taxes) was charged against earnings

during the second quarter of fiscal 1976. At its meeting on May 24, 1976, the Board of Directors confirmed that the remaining amounts comprising the "excess cost" have continuing value.

E: RESEARCH AND DEVELOPMENT

All expenditures for research and development are charged against earnings in the year incurred. The charges for fiscal 1976 and 1975 were $25,700,000 and $22,900,000, respectively.

F: RETIREMENT EXPENSE

The company has numerous retirement plans, as described in Note 9. The annual retirement expense for the plans includes both (1) the current year's normal cost, and (2) certain prior-years costs. Prior-year costs include interest on unfunded balances, plus amortization of the unfunded balance over periods of up to 40 years.

The plans use different actuarial methods of estimating these costs. In addition, each plan's assumptions (such as turnover rates or future wage levels) may vary, according to the individual circumstances of the plan. Certain changes were made in these methods and assumptions in both fiscal 1976 and 1975. In addition, some benefit increases were made in both years, and adverse prior years' pension fund investment results were experienced. All of these factors influenced the amount of retirement expense charged to operations in each year, thereby affecting comparability. See Note 9 for additional details.

G: FOREIGN EXCHANGE

Foreign balance sheet accounts are translated into U.S. dollars at exchange rates in effect at fiscal year-end except for such accounts as land, buildings and equipment, accumulated depreciation and intangibles which are translated at exchange rates in effect when the assets were acquired. Income and expense accounts for each month are translated at the month-end exchange rates except for depreciation and amortization which are translated at the exchange rates in effect for the related assets.

Unrealized gains and losses resulting from translation procedures are credited or charged to the results of operations without deferral. The company accrues gains and losses on open forward exchange contracts based on forward contract market rates.

In fiscal 1977, the company will require only minor changes in foreign exchange accounting procedures, to conform to new rules in Standard #8 of the Financial Accounting Standards Board. Prior-year financial statements will not be restated, because the new rules do not have a material effect on such years.

H: INCOME TAXES

Investment tax credit is accounted for by the "flow-through" method; taxes on income are thus reduced by the amount of credit arising during the year.

Deferred income taxes result from timing differences between income for financial reporting purposes and tax purposes. These differences relate principally to depreciation, deferred compensation and discontinued operations.

The company's policy is to accrue appropriate U.S. income taxes on earnings of foreign subsidiary companies which are intended to be remitted to the parent company.

I: EARNINGS PER SHARE

The weighted average number of common shares outstanding and "common share equivalents" are totaled in determining "earnings per common share and common share equivalent." Common share equivalents represent potentially dilutive common shares (weighted average) as follows: (1) shares of common stock reserved for issuance upon exercise of outstanding stock options granted pursuant to company option plans (93,000 in 1976 and 81,782 in 1975); and (2) treasury shares purchased and reserved for issuance under a profit sharing plan (64,398 in 1976 and 64,296 in 1975). See Note 7 for a description of the October, 1975, stock-split, and restatement of fiscal 1975 data previously reported.

2. ACQUISITIONS

The company made the following significant acquisitions during the past two fiscal years:

Fiscal Year 1976	Ownership	Date Acquired	Product or Major Product Group
Foot-Joy, Inc.	60%	July, 1975	Fashions
Clipper Games	100%	August, 1975	Toys
Saluto Foods Corp.	85%	March, 1976	Mixes, Family Flour, Seafoods & Other
Fiscal Year 1975			
Stevens Court, Inc.	65%	August, 1974	Corporate Unallocated
Bowers and Ruddy Galleries, Inc.	85%	October, 1974	Crafts, Games & Toys
Lord Jeff Knitting Co., Inc.	85%	December, 1974	Fashions
General Interiors	100%	April, 1975	Furniture

All of the above were accounted for by the "purchase" method. Following are the cash and common stock costs of these acquisitions, plus increased ownership in other partially owned companies and performance earnings agreements:

	Fiscal Year 1976	Fiscal Year 1975
Acquisitions—Cash	$2,111,000	$ 379,000
—Shares*	322,534 (a)	1,450,034 (b)
Increased ownership in partially owned companies and performance earnings agreements—Cash	$1,041,000	$3,194,000
—Shares*	13,709	—

*All share data reflect October, 1975, split.

(a) General Mills acquired 60% of the outstanding shares of Foot-Joy, Inc., in exchange for 140,680 shares of common stock and 85% of the outstanding shares of Saluto Foods Corp. for 181,854 shares of common stock. Clipper Games and all outstanding Red Lobster Restaurant franchises were purchased for cash.

(b) General Mills acquired substantially all of the assets and liabilities of General Interiors Corporation in exchange for 999,138 shares of General Mills' common stock. Two additional purchases for common stock were Bowers and Ruddy in exchange for 237,860 shares and Lord Jeff in exchange for 213,036 shares.

Sales, costs and earnings of businesses accounted for as purchases are included in results of operations from the dates of acquisition. In each of fiscal 1976 and 1975, the impact on the company's sales from these acquisitions in the year of acquisition was less than 1% of consolidated sales. Related earnings were not material.

3. FOREIGN OPERATIONS

Included in General Mills' consolidated financial statements are amounts for foreign (non-U.S.) operations, as follows:

	1976	1975
	(in thousands)	
Sales	$433,823	$386,299
Net earnings	14,991	13,462
Total assets	267,409	270,392
Net assets	135,503	131,707

The 1975 amounts have been restated from figures reported last year, in order to conform to the 1976 presentation.

Substantially all investments in 20-50% owned companies included in the consolidated balance sheets and net earnings of 20-50% owned companies included in the consolidated results of operations are for foreign operations. Significant foreign operations are primarily located in Canada and western Europe. Foreign exchange gains and losses were not material in either 1976 or 1975.

4. INVENTORIES

Following is a comparison of year-end inventories:

	May 30, 1976	May 25, 1975
	(in thousands)	
Grain, family flour and bakery flour	$ 38,798	$ 29,442
Raw materials, work in process, finished goods and supplies as follows:		
Valued at LIFO	148,112	124,413
Valued primarily at FIFO	166,744	192,052
Total Inventories	$353,654	$345,907

If the FIFO method of inventory accounting had been used throughout by the company, inventories would have been $12,496,000 and $15,884,000 higher than reported at May 30, 1976, and May 25, 1975, respectively. See Note 1 for a description of inventory valuation policies. During fiscal 1976, the domestic inventories of the Gorton Division (a seafoods operation) were changed from FIFO to LIFO. In addition, certain inventories were reduced in 1976, resulting in a liquidation of some LIFO inventory quantities, carried at costs lower than 1976 purchases. Neither of these events had a material effect on earnings.

The amounts of opening and closing inventories as used in determining costs of sales are as follows (in thousands):

May 30, 1976	$353,654
May 25, 1975	345,907
May 26, 1974	353,311

5. SHORT-TERM BORROWINGS

The components of "notes payable" are as follows:

May 30, 1976		May 25, 1975			12-MONTH WEIGHTED AVERAGES		
						Average Interest Rates	
Balance	Interest Rate	Balance	Interest Rate		Outstanding In Fiscal '76	Fiscal '76	Fiscal '75
$22,887,000	11.2%	$32,921,000	11.3%	Banks (foreign)	$21,900,000	13.1%	12.8%
—	—	—	—	Commercial paper (U.S.)	9,700,000	6.6%	10.8%
—	—	20,978,000	5.6%	Master Notes (U.S.)	16,500,000	6.4%	7.8%
1,211,000	5.9%	1,149,000	5.3%	Miscellaneous	1,300,000	6.5%	9.0%
$24,098,000		$55,048,000		Total	$49,400,000		

The maximum amount of notes payable outstanding at any month-end during fiscal 1976 was $118,345,000 on August 24, 1975.

The company maintains unsecured domestic credit lines to support its commercial paper, and to ensure the availability of extra funds if needed. At May 30, 1976, the company had $144,500,000 of such domestic lines available, $120,000,000 of which was paid for by fees and $24,500,000 of which was supported by 10% compensating balances (20% if the credit lines are used). The amount of the credit lines and the cost thereof are generally negotiated each year.

6. LONG-TERM DEBT

	May 30, 1976	May 25, 1975
	(in thousands)	
4⅝% sinking fund debentures, due August 1, 1990	$ 24,695	$ 24,699
8% sinking fund debentures, due February 15, 1999	98,528	98,465
8⅞% sinking fund debentures, due October 15, 1995	82,993	99,176
Three 25-year 4¼% promissory notes of $10,000,000 each, due May 1, 1982, May 1, 1983, and May 1, 1984	30,000	30,000
7% sinking fund Eurodollar debentures, due November 1, 1980	12,119	12,377
8% sinking fund Eurodollar debentures, due March 1, 1986	16,040	16,638
Miscellaneous debt	21,793	27,194
	286,168	308,549
Less amounts due within one year	4,405	3,637
	$281,763	$304,912

The above amounts are net of unamortized bond discount ($3,180,000 in 1976 and $3,545,000 in 1975).

The sinking fund and principal payments due on long-term debt are $4,405,000, $5,782,000, $9,973,000, $16,924,000 and $18,779,000 in fiscal years ending in 1977, 1978, 1979, 1980 and 1981, respectively.

The terms of the promissory note agreements place restrictions on the payment of dividends, capital stock purchases and redemptions. At May 30, 1976, $289,992,000 of retained earnings was free of such restrictions.

7. CHANGES IN CAPITAL STOCK

The following table describes changes in capital stock from May 26, 1974, to May 30, 1976:

	Common Stock			
	$0.75 Par Value		In Treasury	
(dollars in thousands)	Shares	Value	Shares	Value
Balance at May 26, 1974	47,301,404	$133,252	171,612	$2,418
Stock option and profit sharing plans	146,832	2,367	(18,768)	(239)
Shares issued—acquisitions	1,450,034	26,017	—	—
Other	1,062	21	—	—
Balance at May 25, 1975	48,899,332	$161,657	152,844	$2,179
Stock option and profit sharing plans	229,926	3,788	(22,618)	(321)
Shares issued—acquisitions	322,534	7,452	(13,709)	(197)
Balance at May 30, 1976	49,451,792	$172,897	116,517	$1,661

The shareholders also have authorized 5,000,000 shares of cumulative preference stock, no par value. None of these shares was outstanding during either fiscal 1976 or 1975. If issued, the Directors may specify a dividend rate, convertibility rights, liquidating value and voting rights at the time of issuance.

Effective as of October 10, 1975, the shareholders voted to (1) increase the authorized common stock from 30,000,000 to 70,000,000 shares; (2) change each share of common stock, $1.50 par value, into two fully-paid and nonassessable shares of common stock, $.75 par value; and (3) eliminate the 1,000,000 shares of class B common stock previously authorized. None of the class B common was outstanding in either fiscal 1976 or 1975. Information throughout these financial statements is retroactively restated for the 2-for-1 split, to present all data on a consistent and comparable basis.

Some of the unissued shares of common stock are reserved for the following purposes:

	Number of Shares	
	May 30, 1976	May 25, 1975
Stock options outstanding	1,323,306	1,087,298
Stock options available for grant	714,300	43,916

8. STOCK OPTIONS

In September, 1975, the shareholders of General Mills, Inc., approved a stock option plan under which options for the purchase of 1,200,000 shares, in the aggregate, of the company's common stock may be granted to officers and key employees. The plan expires on August 31, 1980. The options under the 1975 plan may be granted subject to approval of the Compensation Committee of the Board of Directors and at a price of not less than 100% of fair market value on the date the option is granted. Options outstanding include options granted under a previous stock option plan which has expired and under which no further options may be granted. Both plans provide for termination of options at either five or 10 years after date of grant with certain exceptions due to death, disability or retirement. Information on stock options is shown in the following table.

		Average Per Share		Total Fair Market Value
	Shares	Option Price	Fair Market Value	
Granted:				
1975	105,000	$24.60	$24.60	$ 2,583,000 (a)
1976	485,700	30.98	30.98	15,047,000 (a)
Became exercisable:				
1975	250,396	27.81	21.66	5,422,000 (b)
1976	218,667	28.20	29.74	6,504,000 (b)
Exercised:				
1975	146,832	16.12	23.82	3,497,000 (c)
1976	229,926	16.47	29.46	6,774,000 (c)
Expired and cancelled:				
1975	23,096	23.42	23.42	541,000 (a)
1976	19,766	28.88	28.88	571,000 (a)
Outstanding at end of year:				
1975—to 279 officers and employees	1,087,298	24.85	24.85	27,015,000 (a)
1976—to 355 officers and employees	1,323,306	28.49	28.49	37,704,000 (a)

(a) At date of grant. (b) At date exercisable. (c) At date exercised.

9. RETIREMENT PLANS

The company and many of its subsidiaries have retirement plans covering most of their domestic employees and some foreign employees. In general, the plans provide for normal retirement at age 65 with benefits computed on the basis of length of service and employee earnings. Retirement plans are reviewed and company contributions are approved by the Board of Directors, upon recommendation of the five-member Benefit Finance Committee. Two committee members are General Mills officers. The remaining three are Directors, one of whom is a member of General Mills management.

In both fiscal 1975 and 1976, various plans improved their benefits, and changed certain actuarial methods and assumptions. These changes increased fiscal 1976 costs by $3,100,000 over fiscal 1975 costs. Also, the effect of adverse retirement fund investment performance in prior years caused fiscal 1976 costs to increase by an additional $2,400,000 over fiscal 1975 costs.

By policy, the company funds all retirement costs accrued. The company's policies for accruing costs are described in Note 1. As of the latest available actuarial estimates (December 31, 1975), vested benefits approximated $192,000,000 of which $28,000,000 was unfunded. The total unfunded accrued liability (including the unfunded vested benefits) approximated $41,000,000. The comparable unfunded amounts at December 31, 1974, were $50,000,000 and $67,000,000, respectively. The decrease in unfunded liabilities was caused both by improvement in current year retirement fund investment performance, and by certain actuarial and accounting changes.

Many of the changes in U.S. retirement plans that were required by the Employees Retirement Income Security Act of 1974 (ERISA) have now been implemented. The benefit and actuarial changes described in the above paragraphs were made for reasons other than compliance with ERISA. Remaining changes for compliance with ERISA are not expected to have a material effect on retirement expense.

10. PROFIT SHARING PLANS

General Mills and certain subsidiaries have profit sharing plans covering officers and key employees who have the greatest opportunities to contribute to current earnings and the future success of their operations. The amounts to be distributed under the plans are generally determined by the relationship of net profits to predetermined profit goals. Profit sharing plans and associated payments are approved by the Board of Directors upon recommendation of the Compensation Committee. This committee consists of Directors who are not members of General Mills' management.

11. TAXES ON INCOME

The provision for income taxes is made up of the following:

	Fiscal Year 1976	Fiscal Year 1975
	(in thousands)	
Federal taxes	$85,313	$52,702
Foreign taxes	10,755	9,097
State and local taxes	10,298	6,906
Deferred taxes	(3,376)	4,651
U.S. investment tax credit	(3,026)	(2,706)
Total taxes on income	$99,964	$70,650

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The tax effects of these differences are as follows:

	Fiscal Year 1976	Fiscal Year 1975
	(in thousands)	
Depreciation	$ 393	$ 6,333
Deferred compensation	(139)	(512)
Bad debts	(121)	(231)
Discontinued operations	(2,997)	(37)
Other	(512)	(902)
Total deferred taxes	$ (3,376)	$ 4,651

The effective tax rate is different from the statutory U.S. Federal income tax rate of 48% for the following reasons:

	Fiscal Year 1976	1975
U.S. statutory rate	48.0%	48.0%
State and local income taxes, net of Federal tax benefits	2.7	2.4
Investment tax credit	(1.5)	(1.9)
Other	.7	—
Effective income tax rate	49.9%	48.5%

As of May 30, 1976, management has designated $56,917,000 of the undistributed earnings of foreign subsidiaries as permanently invested. Such earnings have already been taxed once by foreign governments. As a result, no extra U.S. taxes have been accrued on those earnings. However, extra U.S. taxes have been accrued on undistributed foreign earnings in excess of the $56,917,000, because of the policy stated in Note 1. The additional U.S. taxes so accrued were not material in either fiscal 1976 or 1975.

12. LEASE COMMITMENTS

Rent expense was $19,112,000 in fiscal 1976, and $16,523,000 in 1975. The company and its subsidiaries have a variety of noncancellable lease commitments, longer than one year in duration, for which minimum annual net rentals will total approximately $13,002,000 in fiscal 1977; $10,197,000 in 1978; $8,684,000 in 1979; $7,031,000 in 1980; $5,839,000 in 1981; $20,899,000 from 1982 to 1986; $11,015,000 from 1987 to 1991; $7,309,000 from 1992 to 1996; and $2,898,000 in all years after fiscal 1996. 92% of the commitments are for real estate. Certain leases require payment of property taxes, insurance and maintenance costs in addition to the rental payments. The company and its subsidiaries do not have any significant financing leases.

13. OTHER COMMITMENTS

At May 30, 1976, authorized but unexpended appropriations for property additions and improvements were $83,344,000.

In addition, there are options outstanding to purchase the remaining minority interests of some partially-owned companies. The options could have a maximum cost to General Mills of up to $63,000,000. In general, the option contracts provide that payments depend on actual earnings performance up to the exercise date, and would result in return on investment satisfactory to the company. The main option periods run from 1979 to 1986. The majority of such cost could be payable with shares of common stock.

14. LITIGATION AND CLAIMS

In management's opinion, all claims or litigation pending at May 30, 1976, which could have a significant effect on the consolidated financial position of General Mills, Inc., and its subsidiaries have been provided for in the accounts. The FTC complaint described below is discussed because of the significance of the company's cereals business.

In 1972 the Federal Trade Commission (FTC) issued a complaint against General Mills, Kellogg Co., General Foods Corporation and the Quaker Oats Company, alleging that the four companies share an illegal monopoly of the ready-to-eat cereal industry. The FTC seeks relief in the form of divestiture of certain cereal-producing assets, licensing of cereal brands and prohibitions of certain present practices and future acquisitions in the cereal industry. The four

companies have denied the allegations. An FTC "Administrative Law Judge" started hearing testimony in April, 1976.

The hearing may take over a year to complete. The Judge's findings will then be subject to review by the FTC. Any adverse decision by the FTC will then be subject to further review in U.S. Federal courts. The company expects the matter to take several years and involve costly litigation. In the opinion of General Mills' General Counsel, the company's ready-to-eat cereal activities do not violate existing anti-trust laws. The company will continue to contest the complaint vigorously.

15. OTHER 1976 CHARGES (CREDIT)

During fiscal 1976, the company recorded the following unusual charges (credit) which were significant in total.

	Amount
Sale of Silna Division in second quarter	$2,100,000
Write-off of a portion of goodwill in travel venture in second quarter (see Note 1-D)	2,400,000
Gain from restructuring German toy operations in second quarter	(2,200,000)
Charges of $750,000 in the second quarter and $2,750,000 in the fourth quarter for converting a protein plant to package foods production	3,500,000
Total net charge (after related income taxes)	$5,800,000

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
1700 IDS CENTER
MINNEAPOLIS, MINNESOTA 55402

The Stockholders and the Board of Directors
General Mills, Inc.:

July 23, 1976

We have examined the consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 30, 1976 and May 25, 1975 and the related consolidated statements of results of operations, earnings employed in the business and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of General Mills, Inc. and subsidiaries at May 30, 1976 and May 25, 1975 and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

General Mills

Management's Discussion and Analysis of Earnings

FISCAL YEAR 1976

Sales. Strong gains over fiscal 1975 sales were attained by each of General Mills' three major business areas: 11.0 per cent for foods, 24.8 per cent for consumer non-foods and 13.4 per cent for specialty chemicals. About three-quarters of the company's overall 14.6 per cent sales gain resulted from volume increases, including virtually all of the gain in the second half, which grew at a rate of 15.7 per cent.

Costs and Expenses. Costs and expenses increased $281,424,000, or 13.0 per cent, over the prior year. This largely reflects the net effect of the following factors: 1.) growth in volume of products and services with attendant increases in raw materials, and other direct expenses, partially offset by lower average purchase prices for a number of key commodities such as wheat, sugar and shortening; 2.) substantial increases in sales promotion expenditures, including a $40,900,000 increase in media costs, which was a key factor in the overall increase of $153,853,000, or 28.5 per cent, in selling, general and administrative expenses. Continued success of the company's efforts to improve working capital turnover and lower short-term interest rates led to a decline in interest expense of $6,819,000, or 18.8 per cent. Contribution to employees' retirement funds increased $6,438,000, or 56.2 per cent (see Note 9 of notes to consolidated financial statements).

Analysis of Earnings. Net earnings reached $100,538,000, an increase of 31.9 per cent, as compared with the prior year. In addition to the above factors, earnings were affected by the unusual transactions discussed in Note 15 of notes to consolidated financial statements, which reduced net earnings by $5,800,000. A review of operating profit trends by product lines for the most recent five years appears on the opposite page. Compared with the prior year, total operating profits increased 25.3 per cent with gains reported by each of General Mills' three major business areas: 19.2 per cent for foods, 46.7 per cent for consumer non-foods and 5.8 per cent for specialty chemicals.

FISCAL YEAR 1975

Sales. Comparable rates of gain were attained by each of General Mills' three major product groups. The overall gain was essentially the result of inflation in selling prices. Sales for a number of businesses slowed in the third quarter in response to general economic conditions, but volume trends improved in the fourth quarter.

Costs and Expenses. Costs and expenses increased $313,325,000, or 16.9 per cent, over the prior year. The increase largely reflects higher costs of raw materials General Mills uses, which increased about 12 per cent in the first half before declining moderately, coupled with a substantial increase in sales promotion expenditures. Interest expense increased $7,678,000, or 26.9 per cent, reflecting increased borrowings and high short-term interest rates during the first three quarters. Success of the company's efforts to improve working capital turnover reduced borrowings by year-end; the reduced borrowings and easing short-term interest rates resulted in a modest final quarter decline in interest expense.

Analysis of Earnings. Net earnings reached $76,213,000. Earnings were reduced by a change in fiscal 1975 to the LIFO method of accounting (see comment below). Operating profits for the year increased moderately in reaching $202,900,000, including the effect of the change to the LIFO method.

Change in Inventory Accounting Method. In order not to overstate reported profits as a result of inflation, the company changed its method of accounting, for a substantial portion of domestic inventories, from FIFO to LIFO basis of valuing inventories. This was necessary because of rapid increases in prices in the fiscal year, plus the expectation that inflation will continue over the long run, with inventories sold being replaced at substantially higher prices. The effect of the change was to decrease reported net earnings by $7,773,000, or 16 cents per share. This change was made to obtain better matching of current costs and revenues since current costs will be reflected in current earnings rather than being deferred in inventory valuations.

General Mills

Sales BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Year									
	1976		1975		1974		1973		1972	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Breakfast and Snack Items	$ 694.2	26.3	$ 621.4	26.9	$ 522.8	26.1	$ 458.4	27.6	$ 406.0	29.0
Mixes, Family Flour, Seafoods and Other	665.8	25.2	622.7	27.0	572.5	28.6	483.0	29.0	410.5	29.3
Commercial Foods and Ingredients	273.0	10.3	276.7	12.0	249.1	12.5	201.2	12.1	169.7	12.1
Restaurant Activities	180.7	6.8	113.6	4.9	77.8	3.9	54.6	3.3	33.3	2.4
FOODS	1,813.7	68.6	1,634.4	70.8	1.422.2	71.1	1,197.2	72.0	1,019.5	72.8
Crafts, Games and Toys	347.6	13.1	302.2	13.1	250.7	12.5	181.7	10.9	153.8	11.0
Fashions, Furniture and Specialty Retailing	379.8	14.4	280.7	12.1	247.2	12.4	222.6	13.4	179.6	12.8
CONSUMER NON-FOODS	727.4	27.5	582.9	25.2	497.9	24.9	404.3	24.3	333.4	23.8
SPECIALTY CHEMICALS	103.9	3.9	91.6	4.0	80.0	4.0	60.5	3.7	48.4	3.4
TOTAL SALES	$2,645.0	100.0	$2,308.9	100.0	$2,000.1	100.0	$1,662.0	100.0	$1,401.3	100.0

Earnings

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Year									
	1976		1975		1974		1973		1972	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Breakfast and Snack Items	$ 97.3	38.3	$ 80.0	39.4	$ 72.1	36.0	$ 68.2	39.0	$ 59.3	40.4
Mixes, Family Flour, Seafoods and Other	46.9	18.4	45.1	22.2	44.2	22.1	42.7	24.5	42.7	29.1
Commercial Foods and Ingredients	7.9	3.1	7.2	3.6	10.0	5.0	5.2	3.0	4.3	2.9
Restaurant Activities	23.6	9.3	15.1	7.4	8.2	4.1	6.5	3.7	4.3	3.0
FOODS	175.7	69.1	147.4	72.6	134.5	67.2	122.6	70.2	110.6	75.4
Crafts, Games and Toys	41.6	16.3	30.6	15.1	26.8	13.4	14.0	8.0	6.1	4.1
Fashions, Furniture and Specialty Retailing	29.7	11.7	18.0	8.9	29.9	14.9	30.8	17.6	24.9	17.0
CONSUMER NON-FOODS	71.3	28.0	48.6	24.0	56.7	28.3	44.8	25.6	31.0	21.1
SPECIALTY CHEMICALS	7.3	2.9	6.9	3.4	8.9	4.5	7.3	4.2	5.1	3.5
TOTAL OPERATING PROFITS	254.3	100.0	202.9	100.0	200.1	100.0	174.7	100.0	146.7	100.0
Unallocated corporate expenses, exclusive of items shown below	(21.1)		(18.0)		(17.4)		(16.9)		(13.1)	
Interest expense	(29.4)		(36.2)		(28.5)		(18.3)		(20.5)	
Profit sharing distribution	(3.5)		(3.1)		(4.0)		(4.3)		(3.4)	
TOTAL EARNINGS BEFORE TAXES	$200.3		$145.6		$150.2		$135.2		$109.7	

Operating profits reported above indicate the relative contributions of General Mills' diversified operations to total earnings. They are not necessarily comparable to similar data from other companies since accounting practices may vary.

Variations between the sales and operating profits shown in these tables for any given year and the amount for that year in preceding reports are due principally to restatements and minor adjustments in the classification of certain items.

General Mills

Ten Years in Review

Before Restatements (as reported)

GENERAL MILLS, INC., AND SUBSIDIARIES

	May 30, 1976	May 25, 1975	May 26, 19
Sales	$ 2,645.0	2,308.9	2,000.
Earnings before extraordinary items	$ 100.5	76.2	75.
Net earnings	$ 100.5	76.2	75.
Dividends—common stock	$ 32.4	27.8	24.
—preference stock	$ —	—	–
Earnings before extraordinary items and after dividends	$ 68.1	48.4	50.
Per common share and common share equivalent*			
Earnings before extraordinary items	$ 2.04	1.59	1.5
Net earnings	$ 2.04	1.59	1.5
Dividends per share*	$ .66	.58½	.5
Common shares outstanding at year-end*	49,335	48,745	47,13
Preference shares outstanding at year-end	—	—	–
Number of stockholders	29,200	28,800	28,50
Market price range—common stock*	$34⅛-23⅜	27¾-14⅛	33¼-23
—preference stock	$ —	—	107¼-8
Total assets	$ 1,328	1,206	1,11

*Adjusted for two-for-one splits in October, 1975, and August, 1967.

Summary of Earnings—Five Years

dollar amounts, except per share, in millions

Restated†

	Fiscal Year				
	1976	1975	1974	1973	1972
Sales	$2,645.0	2,308.9	2,000.1	1,662.0	1,401.3
Interest expense	$ 29.4	36.2	28.5	18.3	20.5
Income taxes	$ 100.0	70.6	76.0	69.0	54.1
Earnings before extraordinary items	$ 100.5	76.2	75.1	66.1	55.0
Extraordinary items (net of income taxes)	$ —	—	—	—	(6.8)
Net earnings	$ 100.5	76.2	75.1	66.1	48.2
Earnings before extraordinary items (per sales dollar)	3.8¢	3.3¢	3.8¢	4.0¢	3.9¢
Per common share and common share equivalent††					
Earnings before extraordinary items	$ 2.04	1.59	1.59	1.41	1.19
Net earnings	$ 2.04	1.59	1.59	1.41	1.04
Taxes (income, payroll, property, etc.)	$ 3.02	2.35	2.36	2.07	1.72**

†Includes the following: 1974 Talbots, Inc., pooling, and change in sales definition; 1973 Kimberly Knitwear, Inc., pooling.

††Per share data are based on the average common shares and common share equivalents outstanding during each year. Data for 1972-1975 have been restated for the two-for-one split in October, 1975.

**Excluding income tax credits related to extraordinary items of $.105 per share.

Data should be read in conjunction with the financial statements on pages 23-35.

dollar amounts, except per share, in millions and shares outstanding in thousands

Fiscal Year Ended

27, 1973	May 28, 1972	May 30, 1971	May 31, 1970	May 25, 1969	May 26, 1968	May 28, 1967
1,593.2	1,316.3	1,120.1	1,021.7	885.2	668.9	602.5
65.6	52.2	43.9	40.6	36.2	31.3	28.4
65.6	45.4	43.9	27.1	37.5	31.3	28.4
20.9	19.1	17.3	16.4	13.9	12.3	11.4
2.1	2.3	2.5	2.6	2.7	2.8	2.4
42.6	30.8	24.1	21.6	19.6	16.2	14.6
1.40	1.17	.99	.94	.89	.83	.79
1.40	1.02	.99	.63	.92	.83	.79
.50	.48	.45	.44	.40	.39⅜	.37½
42,530	40,396	39,220	37,904	35,544	32,048	30,536
1,145	1,250	1,426	1,487	1,560	1,573	1,623
29,600	31,000	32,600	32,900	32,900	30,000	29,300
3¾-24¼	26⅛-16¾	18⅛-12⅜	19⅝-11¾	21¾-15¾	21⅜-15	18⅜-13½
13-82¾	88-57	61½-42	65½-41	71½-54½	71¼-55⅝	61½-48
906	818	750	666	622	505	367

Other Statistics

dollars in millions

Restated†

	Fiscal Year				
	1976	1975	1974	1973	1972
Gross expenditures for plant and equipment	$ 94.4	99.8	92.2	57.5	51.3
Working capital provided from operations	$ 153.2	123.9	116.2	112.2	93.2
Research expenditures	$ 25.7	22.9	21.6	19.0	17.4
Advertising media expenditures	$ 111.4	70.5	71.5	74.3	63.6
Depreciation and amortization	$ 46.7	41.8	36.3	34.8	32.1
Wages, salaries and employee benefits	$ 479.4	402.7	350.1	304.5	267.2
Taxes (non-income)	$ 48.8	41.9	35.4	28.5	25.1
Repairs and maintenance	$ 53.7	44.9	39.0	33.5	28.9
Number of employees	51,778	47,969	46,398	40,775	36,099

In the opinion of management, the Financial Statements in this Annual Report to the Stockholders include all significant financial statement data included in the Annual Report filed with the Securities and Exchange Commission on Form 10-K. Shareholders may request a free copy of the Form 10-K report by writing to the Secretary, General Mills, Inc., P.O. Box 1113, Minneapolis, Minn., 55440.

General Mills

Quarterly Review

(in thousands, except per share amounts)

	Sales		Net Earnings		Earnings Per Share*	
	1976	1975	1976	1975**	1976	1975**
First	$ 625,076	$ 544,151	$24,626	$19,232	$ .50	$ .41
Second	762,976	678,451	34,299	26,561	.70	.55
Third	605,746	521,968	21,197	14,728	.43	.31
Fourth	651,154	564,330	20,416	15,692	.41	.32
Fiscal Year Total	$2,644,952	$2,308,900	$100,538	$76,213	$2.04	$1.59

	Dividends Per Share*		Market Price Range of Common Stock*			
			1976		1975	
	1976	1975	High	Low	High	Low
First	$.15	$.13½	$28¾	$23⅜	$27¾	$18½
Second	.17	.15	30	24¾	22	14⅛
Third	.17	.15	34⅛	26⅝	24¼	18½
Fourth	.17	.15	31⅞	26⅝	25⅛	21
Fiscal Year Total	$.66	$.58½	34⅛	23⅜	27¾	14⅛

*1975 data restated to reflect October, 1975, two-for-one common stock split.

**The first three quarters of fiscal 1975 were restated in the 1975 annual report, from quarterly reports previously published, to reflect a change to the LIFO inventory method, made in the fourth quarter of fiscal 1975.

See Note 15 of Notes to Consolidated Financial Statements for descriptions of unusual transactions occurring in certain quarters.

Transfer Agencies

COMMON STOCK:

Citibank, N.A., 111 Wall Street, New York, N.Y. 10015
Office of the Company, P.O. Box 1113, Minneapolis, Minn. 55440

Registrars

COMMON STOCK:

Citibank, N.A., 111 Wall Street, New York, N.Y. 10015
Northwestern National Bank of Minneapolis, Seventh and Marquette, Minneapolis, Minn. 55480

Stock Exchange Symbol: GIS

Markets

New York Stock Exchange
Midwest Stock Exchange

Board of Directors

James P. McFarland, Minneapolis, *Chairman, General Mills, Inc.*

H. Brewster Atwater, Jr., Minneapolis, *Executive Vice President, Chief Operating Officer, General Mills, Inc.*

Charles H. Bell, Minneapolis, *former President and Chairman of Board, General Mills, Inc.*

Thomas M. Crosby, Minneapolis, *former Chairman of Board, Northwest Growth Fund, Inc., a Small Business Investment Company*

Kenneth N. Dayton, Minneapolis, *Chairman of Board, Dayton Hudson Corporation*

J. Wilbur Feighner, Columbus, Georgia, *Executive Vice President, General Mills, Inc.*

Philip B. Harris, Minneapolis, *former Chairman of Board, Chief Executive Officer, Northwestern National Bank*

Stephen F. Keating, Minneapolis, *Chairman of Board, Honeywell Inc.*

E. Robert Kinney, Minneapolis, *President, Chief Executive Officer, General Mills, Inc.*

R. Stanley Laing, Dayton, Ohio, *real estate development***

David M. Lilly, Minneapolis, *former Chairman of Board, The Toro Company**

Louis W. Menk, St. Paul, *Chairman of Board, Chief Executive Officer, Burlington Northern Inc.*

John W. Morrison, Minneapolis, *Chairman of Board, Chief Executive Officer, Northwestern National Bank*††

Gwendolyn A. Newkirk, Lincoln, Nebraska, *Professor and Chairman—Department of Education and Family Resources, University of Nebraska*

Charles F. Phillips, Auburn, Maine, *President Emeritus, Bates College*

Edward S. Reid, New York, N.Y., *Partner, Davis Polk & Wardwell, Attorneys*

Waverly G. Smith, St. Paul, *President, St. Paul Fire and Marine Insurance Company*†

James A. Summer, Minneapolis, *Vice Chairman, Chief Financial and Development Officer, General Mills, Inc.*

Donald F. Swanson, Minneapolis, *Senior Executive Vice President, General Mills, Inc.*

Richard L. Terrell, Detroit, Michigan, *Vice Chairman of Board, General Motors Corporation*

Nancy White, New York, N.Y., *former Fashion Director, Bergdorf Goodman, a woman's specialty store***

*Resigned June 1, 1976, upon his appointment as a Governor of the Federal Reserve Board
**Resigned June 28, 1976
†Elected to the Board June 28, 1976
††Elected to the Board July 26, 1976


Charles H. Bell


Nancy White


Edward S. Reid


Louis W. Menk


Stephen F. Keating


Kenneth N. Dayton


Richard L. Terrell


Thomas M. Crosby


Gwendolyn A. Newkirk


R. Stanley Laing


David M. Lilly


Philip B. Harris


Charles F. Phillips

Board of Directors Committees

Executive Committee

James P. McFarland, *Chairman*
Charles H. Bell
Kenneth N. Dayton
Stephen F. Keating
E. Robert Kinney
Louis W. Menk
Edward S. Reid
James A. Summer

Compensation Committee

Stephen F. Keating, *Chairman*
Charles H. Bell
Philip B. Harris
R. Stanley Laing**
David M. Lilly*
Louis W. Menk
John W. Morrison††
Gwendolyn A. Newkirk
Edward S. Reid
Waverly G. Smith†
Richard L. Terrell

Audit Committee

Charles F. Phillips, *Chairman*
Thomas M. Crosby
Philip B. Harris
Louis W. Menk
Waverly G. Smith†
Nancy White**

Public Responsibility Committee

Thomas M. Crosby, *Chairman*
Stephen F. Keating
Louis W. Menk
Gwendolyn A. Newkirk
Charles F. Phillips
Richard L. Terrell
Nancy White**

Finance Committee

David M. Lilly,* *Chairman*
John W. Morrison, *Chairman*††
Charles H. Bell
Kenneth N. Dayton
Philip B. Harris
R. Stanley Laing**
James P. McFarland
James A. Summer

Research Policy Committee

David M. Lilly,* *Chairman*
Charles H. Bell
Kenneth N. Dayton
James P. McFarland
James A. Summer
Richard L. Terrell

Nominating Committee

Richard L. Terrell, *Chairman*
Kenneth N. Dayton
Stephen F. Keating
Charles F. Phillips

*Resigned June 1, 1976
**Resigned June 28, 1976
†Elected June 28, 1976
††Elected July 26, 1976

Corporate Officers

Fiscal 1975-76

James P. McFarland, *Chairman of Board, Chief Executive Officer*

James A. Summer, *Vice Chairman of Board, Chief Development and Financial Officer*

E. Robert Kinney, *President, Chief Operating Officer*

H. Brewster Atwater, Jr., *Executive Vice President, Domestic and International Consumer Foods*

J. Wilbur Feighner, *Executive Vice President, Domestic Operations of Tom's Foods Ltd., GoodMark Foods, Inc., The Donruss Co.*

Donald F. Swanson, *Executive Vice President, Craft, Game & Toy Group, Direct Marketing Group, Fashion Group, Travel Group*

Eugene E. Woolley, *Executive Vice President, Restaurant Group, General Mills Chemicals, Inc., General Interiors Corporation, O-CEL-O Operations, Corporate Real Estate, Corporate Transportation*

Paul L. Parker, *Senior Vice President, Public and Employee Relations*

John F. Finn, *Vice President—Law, Secretary*

James S. Fish, *Vice President, Consumer Communications and Marketing Services*

John V. Luck, *Vice President and Technical Director*

Henry H. Porter, Jr., *Vice President—Finance, Treasurer*

Edward K. Smith, *Vice President and Controller*

Fiscal 1976-77

James P. McFarland, *Chairman of Board*

E. Robert Kinney, *President and Chief Executive Officer*

James A. Summer, *Vice Chairman, Chief Financial and Development Officer*

H. Brewster Atwater, Jr., *Executive Vice President, Chief Operating Officer*

Donald F. Swanson, *Senior Executive Vice President, Consumer Non-Foods*

F. Caleb Blodgett, *Executive Vice President, Consumer Foods*

J. Wilbur Feighner, *Executive Vice President, Specialty Foods*

Paul L. Parker, *Executive Vice President, Chief Administrative and Government Relations Officer*

Eugene E. Woolley, *Executive Vice President, Restaurants and Chemicals*

John V. Luck, *Senior Vice President and Technical Director*

John F. Finn, *Vice President—Law (retired August 1, 1976)*

James S. Fish, *Vice President, Consumer Communications and Marketing Services*

Henry H. Porter, Jr., *Vice President—Finance, Treasurer*

Edward K. Smith, *Vice President and Controller*

Clifford L. Whitehill, *Vice President and General Counsel*

James M. Neville, *Secretary*

General Mills

Operating Executives

of General Mills and Domestic Subsidiaries

Lee C. Anderson, *Vice President; President, LeeWards Creative Crafts, Inc.*
Walter R. Barry, Jr., *Group Vice President, Consumer Foods*
Randolph P. Barton, *Vice President; President, Parker Brothers*
Mercedes A. Bates, *Vice President, Director, Consumer Center*
Jason C. Becker, *Vice President, New Business Development, Consumer Foods (now: Vice President, General Manager, Northstar Division)*
M. M. Benidt, *Vice President, Director of Latin American and Export Operations, Consumer Foods*
Ted C. Betker, *Vice President; President, Fundimensions*
Edward K. Bixby, *Vice President, General Manager, Package Foods Operations Division*
F. Caleb Blodgett, *Group Vice President, Consumer Foods (now: see Corporate Officers)*
Ray E. Brunswig, *President, Pioneer Products, Inc.*
Donald W. Carlson, *Vice President; President, General Mills Chemicals, Inc.*
Michael P. Chernow, *President, Monet Jewelers, Inc.*
Ross N. Clouston, *Vice President; President, The Gorton Group*
Jerome L. Cohen, *President, Gay-Gem Products Corporation*
Lionel Cossé, *Vice President; President and Managing Director, Biscuiterie Nantaise-BN, S.A.*
Paul J. Curran, *Vice President, International Operations, Craft, Game & Toy Group*
William B. Darden, *Vice President; Chairman of Board, Red Lobster Inns of America, Inc.*
Harry L. Davis, *President, Gold Medal Insurance Co.*
Caspar B. M. de Jong, *Vice President; General Manager, Smiths Foods Group B.V.*
James P. DeLapa, *President and Chief Executive Officer, Saluto Foods Corp.*
Vincent dePaul Draddy, *Chairman of Board, David Crystal, Inc.*
Marylee Duehring, *Vice President, Director, Betty Crocker Kitchens*
John P. Eckert, *Vice President; President, Lili-Ledy, S.A. de C.V.*
James J. Feeney, *Vice President, General Manager, Sperry Division*
J. Wilbur Feighner, *Executive Vice President; Chairman of Board, President, Tom's Foods Ltd.*
James G. Fifield, *Vice President, General Manager, Golden Valley Division (now: Vice President, General Manager, New Business Division)*
Robert S. Fogarty, Jr., *Vice President; President and Chief Executive Officer, General Interiors Corporation (resigned July 21, 1976)*
Gloria Gelfand, *President, Picato, Inc.*
F. William Graham, *Group Vice President, Fashion Group*
Joseph W. Grieco, *Director of Operations, O-CEL-O*
Michel Habourdin, *Vice President; President, Miro Company, S.A.*
Robert W. Hatch, *Vice President, General Manager, Protein Division (now: Vice President, General Manager, Golden Valley Division)*
John D. Herrick, *Vice President, General Manager, Canadian Package Foods*
John B. Holmes, *President, David Crystal, Inc.*
Robert J. Hoy, *President, Lord Jeff Knitting Co., Inc.*
Donald L. Knutzen, *Vice President, General Manager, Betty Crocker Division*
William A. Lantz, *President, E. H. Thompson Company*
Jack Lazar, *Vice President; President, Kimberly Knitwear Inc.*
Joe R. Lee, *Vice President; President, Red Lobster Inns of America, Inc.*
Jack A. Liquorish, *Vice President; Chairman, Smiths Food Group, U.K.*
Bernard Loomis, *Vice President; President, Kenner Products*
Stewart F. Lyman, *Vice President; President, The Donruss Co.*
Wesley P. Mann, Jr., *President, H. E. Harris & Co., Inc.*
C. Thomas Marshall, *President, Eddie Bauer, Inc. (resigned July 16, 1976)*
Ernest F. Naylor, *President, Intra-World Incentives, Inc.*
Thomas P. Nelson, *Vice President, Control and Administration, Consumer Foods*
Harvey S. Olson, *Chairman, Olson-Travelworld Organization*
Howard L. Ross, *Vice President, General Manager, Grocery Products Sales Division*
James H. Ruben, *Vice President, Specialty Retailing Group*
James F. Ruddy, *President, Bowers & Ruddy Galleries, Inc.*
Gordon W. Ryan, *Vice President, Director of Trade Policy and Customer Relations, Consumer Foods*
Ernie Sabayrac, *President, Ernie Sabayrac, Inc.*
Arthur R. Schulze, *Group Vice President, Consumer Foods*
Robert B. Simpson, *Vice President; President, Managing Director, Palitoy Division*
Gabor Stein, *President, Empire Textile Corp.*
George B. Stephan, *Vice President, Director of Administration and Group Controller, Craft, Game & Toy, Specialty Retailing and Travel Groups*
W. Scott Supernaw, *President, Olson-Travelworld Organization*
Robert K. Swanson, *Group Vice President; Chairman of Board, General Mills Europe Limited (now: Group Vice President, Consumer Foods)*
Rudolf L. Talbot, *President, The Talbots, Inc.*
Richard N. Tarlow, *President, Foot-Joy, Inc.*
Preston Townley, *Vice President, General Manager, Big "G" Division*
Michael L. Tracy, *Vice President; President, Chief Executive Officer, GoodMark Foods, Inc.*
Darryl J. Woodland, *Vice President, General Manager, Procurement Division*
Robert E. Zimmerman, *President, General Interiors Corporation (effective July 22, 1976)*

Staff Officers

Ivy M. Celender, *Vice President, Director of Nutrition*
Donald M. Friborg, *Vice President, Director of Industrial Relations*
John L. Frost, *Vice President, Director of Personnel*
John T. Gerlach, *Vice President, Director of Corporate Growth*
J. William Haun, *Vice President for Engineering Policy*
John L. Holahan, *Vice President, Director of New Product and Process Activity*
William R. Humphrey, Jr., *Vice President, Executive Director of the General Mills Foundation*
Cyrus E. Johnson, *Vice President, Social Action and Community Relations*
Verne C. Johnson, *Vice President, Director of Corporate Planning*
Daniel G. McPherson, *Vice President, Director of Quality Control, Food Safety and Nutrition Policy*
James R. Pratt, *Vice President, Director of Taxes*
J. Robert Roach, *Vice President, Director of Research and Development, Food Activities*
William K. Smith, *Vice President, Director of Transportation*
Stanley V. Tabor, *Vice President, Corporate Real Estate*
Clifford L. Whitehill, *Vice President, General Counsel (now: see Corporate Officers)*

International Operations

FOODS AND FLOUR

*Feldbacher Backwarenfabrik Dr. Josef Zach GmbH	Austria	J. Wolfgang Zach, *Joint Managing Director*
Smiths Food Group S.A.	Belgium	A. Van de Walle, *General Manager*
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Grocery Products Division		John D. Herrick, *General Manager*
Lancia-Bravo Foods Division		A. M. Aymong, *President*
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Smiths Food Group	England	Jack A. Liquorish, *Chairman*
Smiths Division		Jack A. Liquorish, *Managing Director*
Snakpak Nut and Biscuit Division		Ken Morgan, *Managing Director*
Tudor Food Products Division		Eric Smith, *Managing Director*
*Biscuiterie Nantaise-BN, S.A.	France	Lionel Cossé, *President and Managing Director*
*Industria Harinera Guatemalteca, S.A. and Industria del Maiz, S.A.	Guatemala	Francisco Gamez, *General Manager*
Smiths Food Group B.V.	Holland	Caspar B. M. de Jong, *General Manager*
General Mills Japan, Ltd.	Japan	Motoshige Kobayashi, *Representative Director and President*
*Morinaga General Mills, Ltd.	Japan	Akio Matsuzaki, *Representative Director and President* Motoshige Kobayashi, *Representative Director and Executive Vice President*
*Productos de Trigo, S.A.	Mexico	Gustavo Martinez, *General Manager*
*Industrias Gem-Ina, S.A.	Nicaragua	Alfredo Montealegre, *General Manager*
*General Mills de Panama, S.A.	Panama	Donald Halman, *General Manager*
General Mills de Venezuela, S.A.	Venezuela	Paul Kaufmann, *Vice President and General Manager*
*Grandes Molinos de Venezuela, S.A.	Venezuela	Moises Benjamin, *General Manager*

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Canapro Division	Canada	Jean Carbonneau, *Manager*
Gorton-Pew Division	Canada	Laurie Delaney, *General Manager*

CRAFTS, GAMES AND TOYS

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*Binder Tool and Mold Limited	Canada	Frederick Binder, *Chairman and President*
*Kenner Products (Canada) Limited	Canada	Arnold B. Irwin, *President*
Parker Brothers Games (Impressions)	Canada	A. Thomas Vernon, *President and General Manager*
General Mills U.K. Limited		
Denys Fisher Toys Division	England	Robert Fieldhouse, *Managing Director*
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*Miro Company, S.A. (*Capiepa, S.A., Parker Brothers France, S.A.R.L.)	France	Michel Habourdin, *President and General Manager*
General Mills, Inc., German Branch	West Germany	Werner Balzer, *General Manager*
Lili-Ledy, S.A. de C.V.	Mexico	John P. Eckert, *President*
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CHEMICALS

Indusquima, S.A.	Brazil	Juan Sabaté Perez, *Director-President*
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*Dai-Ichi General Ltd.	Japan	Hikaru Konishi, *Representative Director and President* C. F. Pozzani, *Representative Director and Executive Vice President*
General Mills de Mexico, S.A.	Mexico	Ricardo Madero, *President and General Manager*
*Habib-General Limited	Pakistan	Asghar Habib, *General Manager*
Nutralgum S.p.A.	Italy	Adolfo Bogoncelli, *Managing Director*
General Mills Chemicals (Ireland) Limited	Ireland	Walter R. Storrs, *Managing Director*
General Mills Japan, Ltd. (Chemical Division)	Japan	C. F. Pozzani, *Representative Director and Executive Vice President, Chemicals*
*Societe de Biosynthese-Melle, S.A.	France	Pierre Godet, *President*
*Poliamidas de Venezuela, C.A.	Venezuela	C. W. Bradley, *President*
*Trochem (Pty) Ltd.	South Africa	Percy Trope, *Managing Director*

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